

State of Student Aid and Higher Education in Texas

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About This Report

The State of Student Aid and Higher Education in Texas (SOSA) annual report from Trellis Research provides information helpful in informing policy and programs for higher education student financial aid. The report serves as a reference for colleges, universities, and policymakers, and provides a comparison of Texas state and federal student aid programs.

A primary goal of the SOSA is to serve as a resource for generating healthy discussions based on a common understanding of the facts. For more than two decades, Trellis has made this complimentary report available to lawmakers and higher education institutions to help inform their work as they shape policies and programs affecting Texas students.

As a straightforward reference report, the SOSA highlights data on a variety of student finance topics, including higher education, demographic projections, college costs, student loan repayment outcomes, and higher education policy.

It is our hope that you find this report useful in your planning and discussions. If you have further requests for information, or to schedule a briefing, please feel free to contact us at any time.

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About Trellis & Trellis Research Services

Trellis Company (trelliscompany.org) is a nonprofit 501(c)(3) corporation with the dual mission of helping student borrowers successfully repay their education loans and promoting access and success in higher education.

Trellis Research (trelliscompany.org/research) provides universities, colleges, and policymakers insight into student success through the increasingly important lens of higher education affordability. With more than three decades of experience studying key issues such as student debt, student loan counseling, and the financial barriers to attainment, our research team continues to explore the roles of personal finance, financial literacy, and financial aid in higher education.



This report is now available in a mobile-friendly format, including a quick search feature for easy access to charts and statistics.

Visit: **trelliscompany.org/state-of-student-aid-2020**

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Glossary of Terms

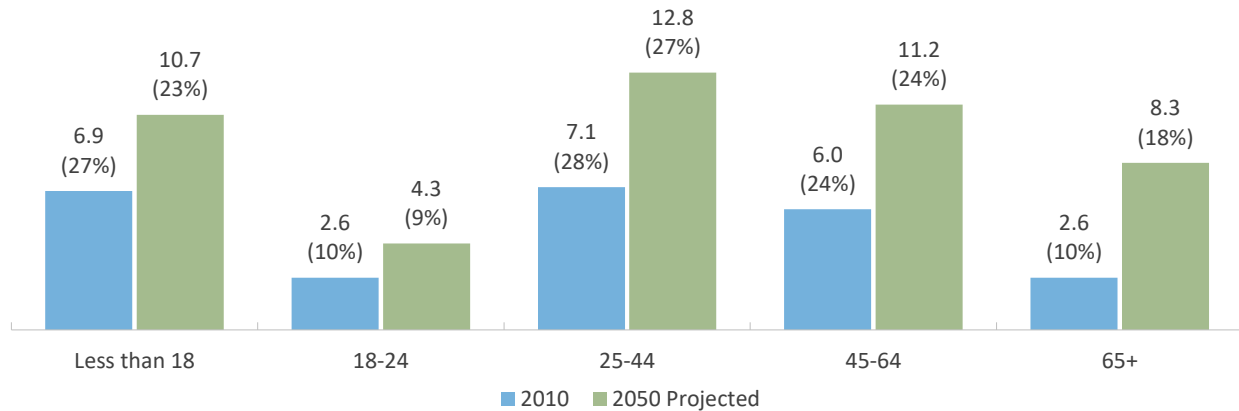
| | |
|-------------------------|--|
| Academic Year | An academic year is a nine-month period that, for traditional programs of study, begins in August and ends the following May. |
| Award Year | A 12-month period beginning July 1 and ending June 30 of the following year. |
| Average | Often called the mean, the average is a common statistical method used to calculate central tendency. The average is found by adding all numbers together and dividing the sum by the number of items included in the calculation. |
| Borrower | An individual to whom a student loan is made. |
| Claim | A request that the lender (or lender's servicer) files with the guarantor for reimbursement of its losses on a Federal Stafford, SLS, PLUS, or consolidation loan due to the borrower's death, disability, default, or bankruptcy; school closure; an unpaid refund; theft of the borrower's identity; or false certification of the borrower's eligibility. |
| Cohort Default Rate | The percentage of Federal Stafford loan borrowers who default before the end of the second fiscal year following the fiscal year in which they entered repayment on their loans. The Department of Education calculates this rate annually. |
| Fiscal Year | A 12-month period beginning October 1 and ending September 30 of the following year. Fiscal Year 2013, for example, begins October 1, 2012, and ends September 30, 2013. |
| Median | A statistical measurement used to calculate the middle most number within a range of numbers. Using the median is a preferred measure of central tendency for when skewed, or distorted, distributions of numbers occur. |
| Weighted for Enrollment | Using the institution's enrollment in the formula to determine the average in order to give greater weight to those institutions with high enrollments. |

SECTION 1

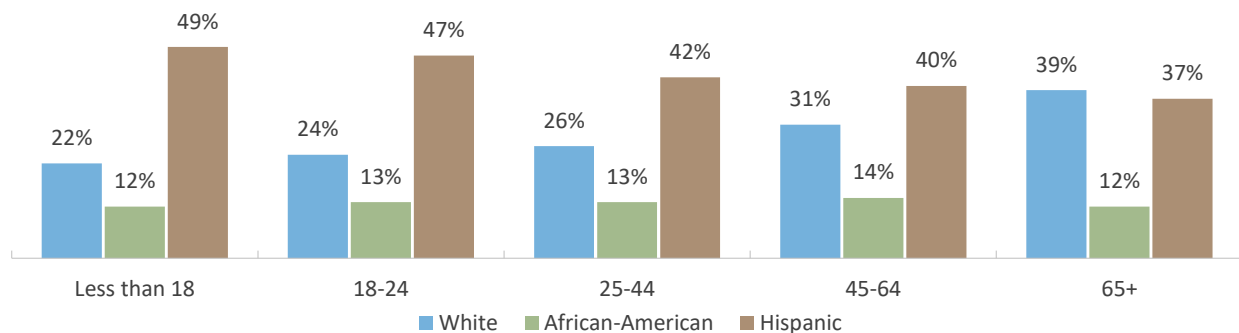
Texas Demographics

Texas' Future Depends on the Education of Its Non-White Population

**Texas Population by Age in Millions and Percentage of Total in Each Year:
 2010 and 2050 (Projected*)**



Projected* 2050 Population by Age and Ethnicity in Texas

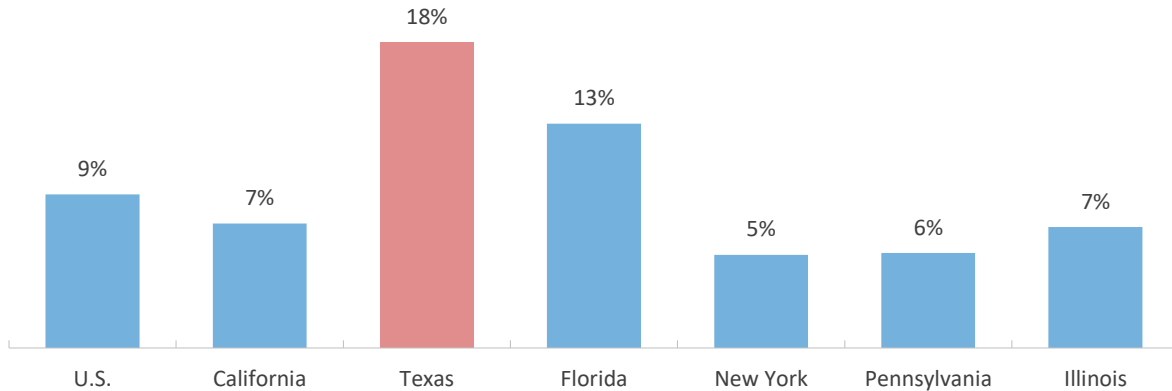


From 2010 to 2050, Texas is expected to add 3.8 million more children under age 18 and 1.7 million more adults aged 18 to 24 — the traditional college age population. The population age 25 to 64 will grow by almost six million, while the numbers of those aged 65 and older will swell by more than five million. Despite the increase in the number of children and young adults, people age 24 and younger will actually drop as a percentage of the population, from 28 percent to 27 percent. Meanwhile, people age 65 and older will increase from 10 percent to 18 percent.

As Texas changes from a majority-White to majority-Hispanic state, and experiences an increase in the percentage of the elderly population, a significant difference emerges with respect to population by age. In 2050, 49 percent of children, 47 percent of 18- to 24-year-olds, and 42 percent of 25- to 44-year-olds will be Hispanic. By contrast, only 37 percent of those 65 and older will be Hispanic. The African-American population will remain relatively stable, at 12 percent to 14 percent of each age group. Increasingly, the future of Texas, including its economic prosperity, as well as the expertise needed to run business, government, and infrastructure, will depend on the education of its non-White populations, which historically have had lower incomes, higher rates of poverty, and lower likelihood of attending and completing college than Whites.

More Than One in Six Texans Lacks Health Insurance

People Without Health Insurance, Large States (2018)



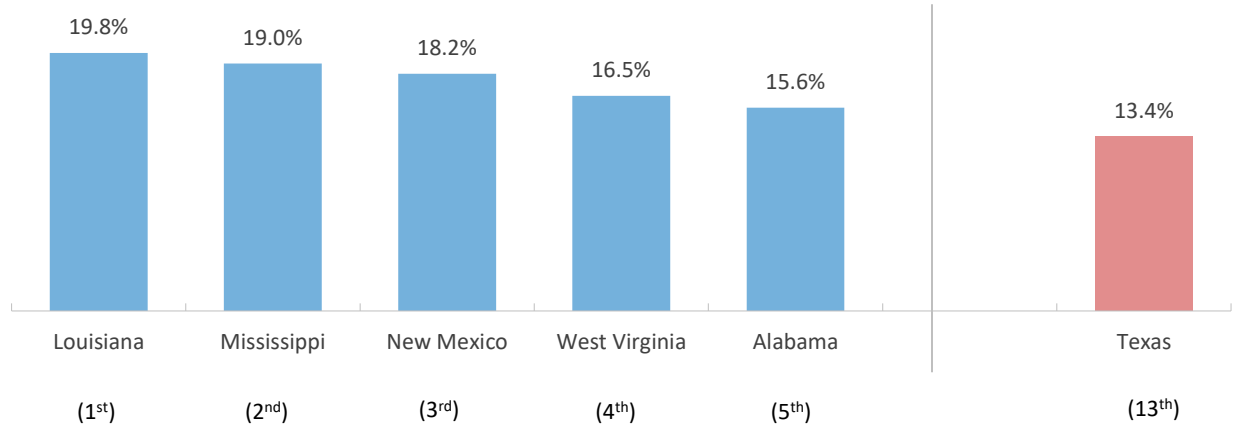
States shown in order by size of population

About nine percent of Americans lacked health insurance in 2018. The percentage is much higher in Texas. At 18 percent, Texas is approximately twice the national average. It has the highest percentage of any state, with Oklahoma coming in second at 14 percent.

Family health crises can be unpredictable, and the resulting financial disruption can derail college plans. While financial aid administrators can make mid-year adjustments using professional judgement, this requires students to make a formal appeal, and adjustments may still be insufficient to help the student stay in school.

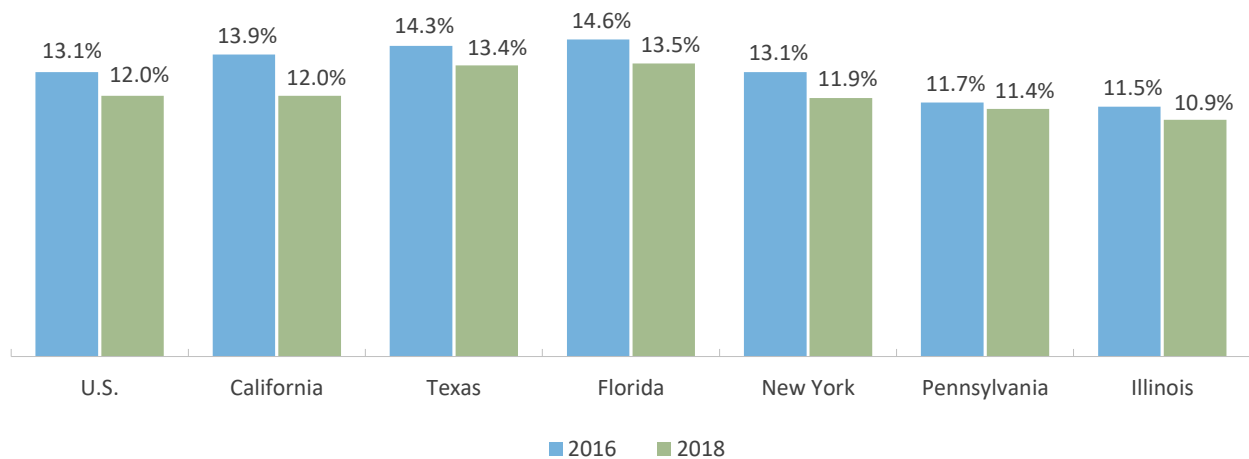
Texas Poverty Rate Declines, but Still Thirteenth Highest in Nation

People in Poverty, States with Highest Rates (2018)



The prevalence of people in the U.S. living in poverty declined from 13.1 percent in 2016 to 12 percent in 2018. While Texas has the thirteenth highest poverty rate in the nation and a poverty rate higher than the national average, it saw its poverty rate drop by 0.9 percentage points during this time period. These data pre-date the COVID-19 pandemic, which has had a detrimental impact on poverty for people across the country. In 2019, poverty was defined as having an income of \$25,926 or less for a family of four with two children, or \$13,300 or less for an individual under 65 years old.

People in Poverty, Largest States (2018)

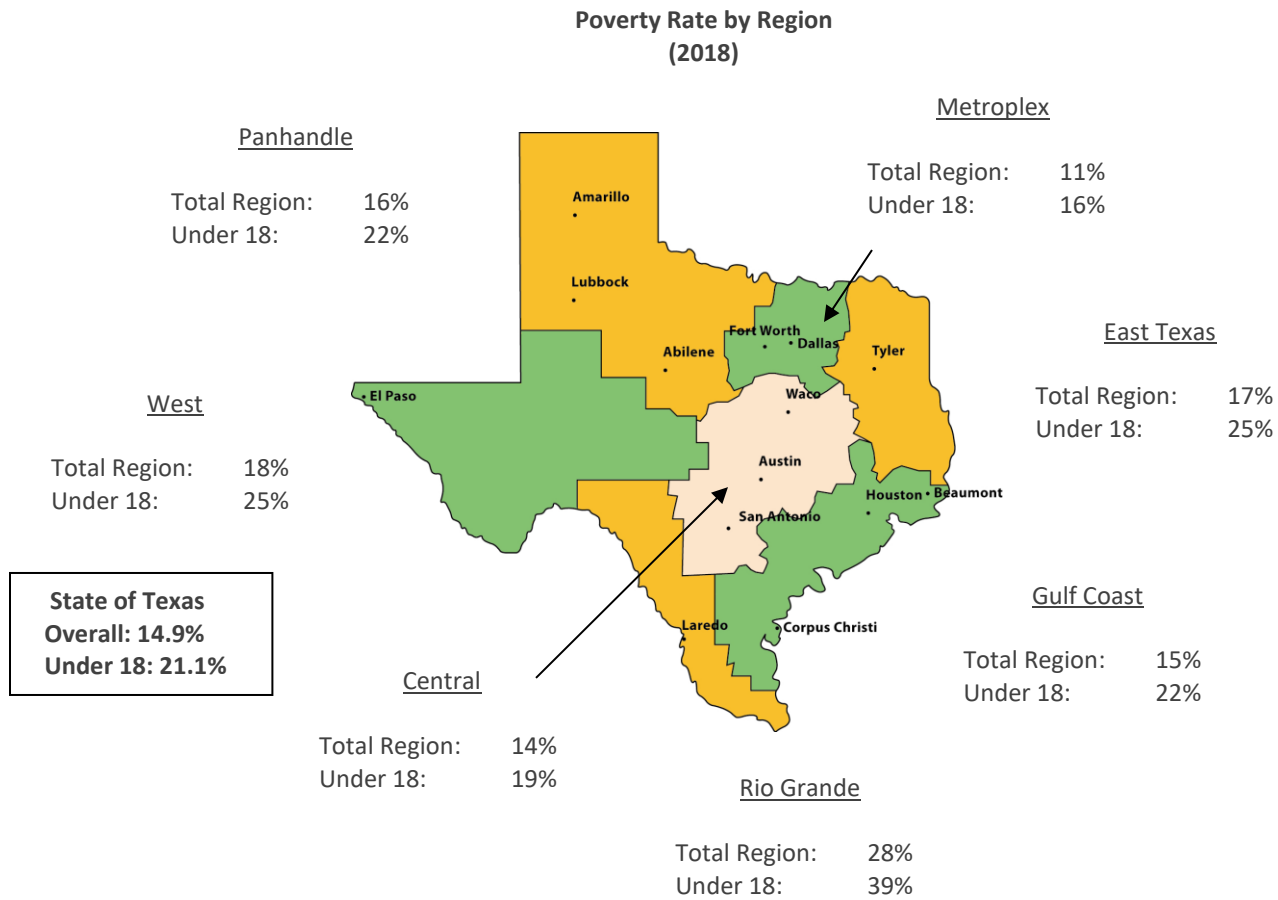


States shown in order by size of population

At 13.4 percent, Texas has the second highest poverty rate among the six largest states, preceded by Florida at 13.5 percent. All of the six largest states and the nation overall saw a decrease in poverty rate between 2016 and 2018.

Sources: Poverty Rates: U.S. Census Bureau, "Percentage of People in Poverty by State Using 2- and 3-Year Averages: 2015-2016 and 2017-2018" (<https://www.census.gov/library/publications/2019/demo/p60-266.html>); Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2019" (<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>)

Texas Poverty Rates Vary Widely By Region

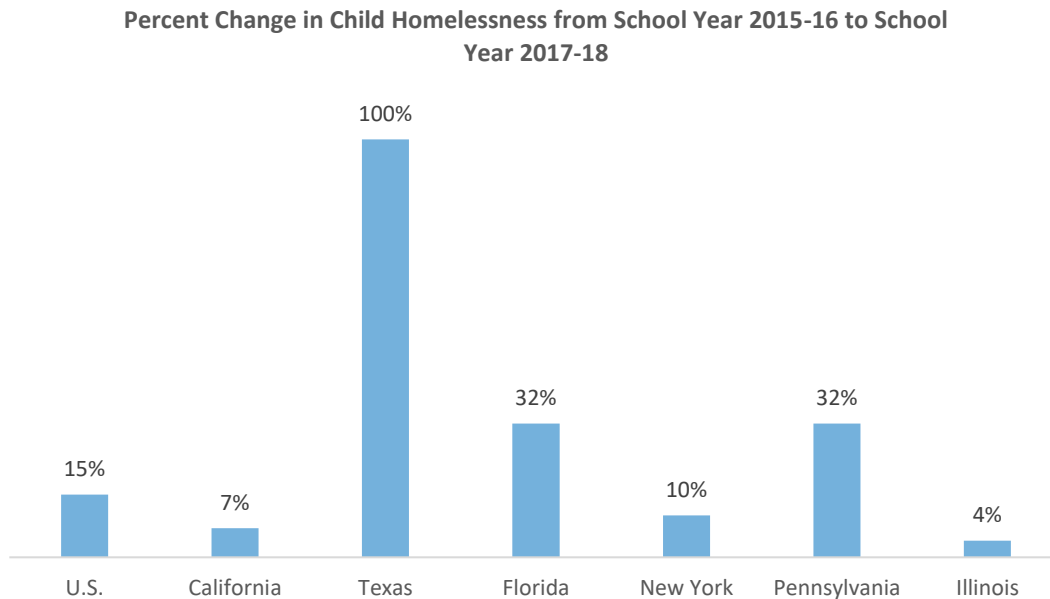


The 2018 poverty rate in Texas was 14.9 percent overall and 21.1 percent for children under 18; however, these rates vary widely by region. By a large margin, the Rio Grande region has the highest rates of overall and childhood poverty at 28 and 39 percent respectively – at least 11 percentage points higher than the next highest region. The Metroplex region had the lowest rates of poverty at 11 percent overall and 16 percent for those under 18. In all regions, the poverty rate for children was higher than for the total population.

In 2019, poverty was defined as having an income of \$25,926 or less for a family of four with two children, or \$13,300 or less for an individual under 65 years old.

Sources: Definition of Poverty: U.S. Census Bureau, "Poverty Thresholds: 2019" (<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>); Poverty rates by region: U.S. Department of Agriculture, Economic Research Service, "Poverty estimates for the U.S., States, and counties, 2018" (<http://www.ers.usda.gov/data-products/county-level-data-sets/download-data.aspx>).

Texas Experiences Largest Increase in Homelessness Among Children Enrolled in School



Texas had more than 230,000 homeless students enrolled in school in school year 2017-2018, double the number of enrolled homeless students in school year 2015-2016. This was a huge change compared to other large states and compared to the nation, likely due to the devastating impact of Hurricane Harvey in September 2017. Funding through the Federal Emergency Management Agency (FEMA) was insufficient to cover the costs of the extreme destruction of the natural disaster in the immediate aftermath, extending homelessness for many families.

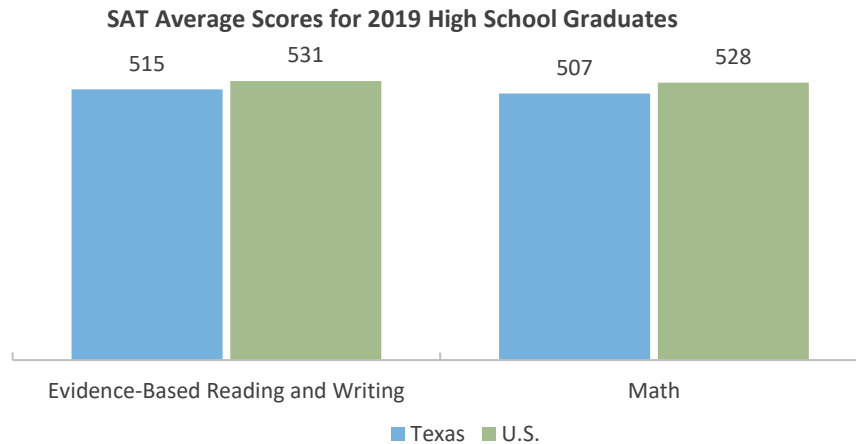
Nationwide, more than 1.5 million enrolled students were homeless during school year 2017-2018. Homeless students face struggles and barriers that students who are not homeless do not face – limited access to digital resources, difficulty finding a space to study, potential transportation issues, and inadequate resources to be involved in school or extra-curricular activities, among other things. The added stress of taking care of basic needs can make it a challenge to focus on academics and reach the students' full learning potential.

Sources: Impact of Hurricane Harvey: Newsweek, Ballesteros, C. November 26, 2017, "Hurricane Harvey Victims: More than 20,000 Children in Houston are Homeless, Report Shows" (<https://www.newsweek.com/hurricane-harvey-victims-homeless-fema-722640>); Impact of Hurricane Harvey: Houston Chronicle, Ward, A. 2018, "Homeless after Harvey: For some, the historic flooding in Houston washed away shelters and security" (<https://www.houstonchronicle.com/news/houston-weather/hurricaneharvey/article/Homeless-after-Harvey-For-some-the-historic-13171309.php>); All Other: National Center for Homeless Education, "Federal Data Summary, School Years 2015-16 Through 2017-18, Education for Homeless Children and Youth" (<https://nche.ed.gov/wp-content/uploads/2020/01/Federal-Data-Summary-SY-15-16-to-17-18-Published-1.30.2020.pdf>).

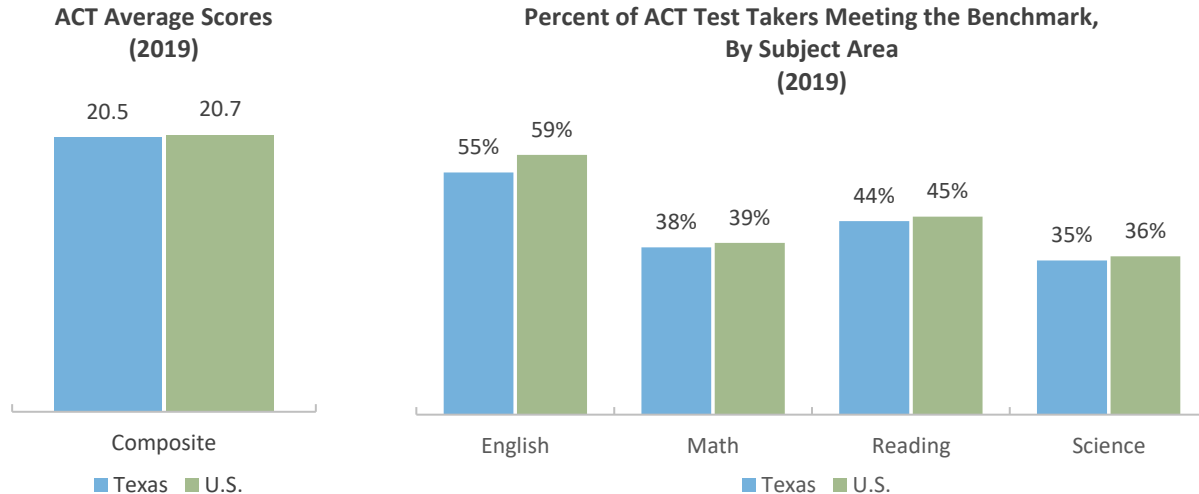
SECTION 2

Texas College Readiness

Texas ACT Scores Comparable to the Nation, SAT Scores Lag Behind



More than 200,000 Texas high school seniors and 2.2 million high school seniors nationwide — well over half the total graduating class for both groups — took the SAT in the 2018–2019 school year. Average SAT scores are lower in Texas compared to the U.S. in both Evidence-Based Reading and Writing and in Math.

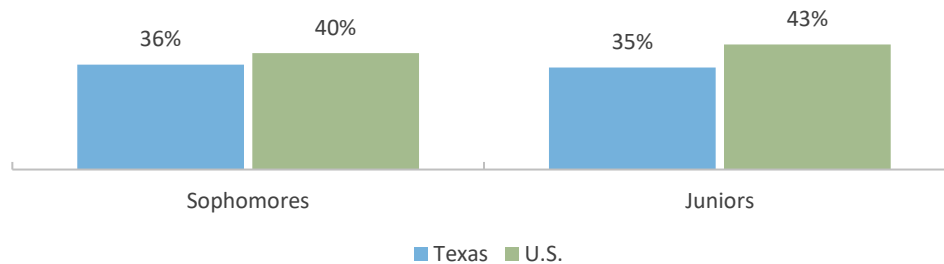


The American College Test (ACT) has fewer test takers in Texas than the SAT. Thirty-nine percent of the class of 2019 Texas high school graduates took the ACT, up from 37 percent since 2013, but down from 41 percent in 2018. Nationally, 52 percent of high school graduates took the exam. While average ACT composite scores in Texas have often lagged slightly behind national averages, the average composite score for Texas graduates has roughly mirrored that of the nation as a whole in recent few years, with slight variations in each subject area.

Source: SAT: The College Board, SAT Data & Reports, College-Bound Seniors 2019 (<https://reports.collegeboard.org/pdf/2019-texas-sat-suite-assessments-annual-report.pdf>; <https://reports.collegeboard.org/pdf/2019-total-group-sat-suite-assessments-annual-report.pdf>); ACT: ACT, National and State Scores 2019 (<http://www.act.org/content/act/en/research/reports/act-publications/condition-of-college-and-career-readiness-2019.html>).

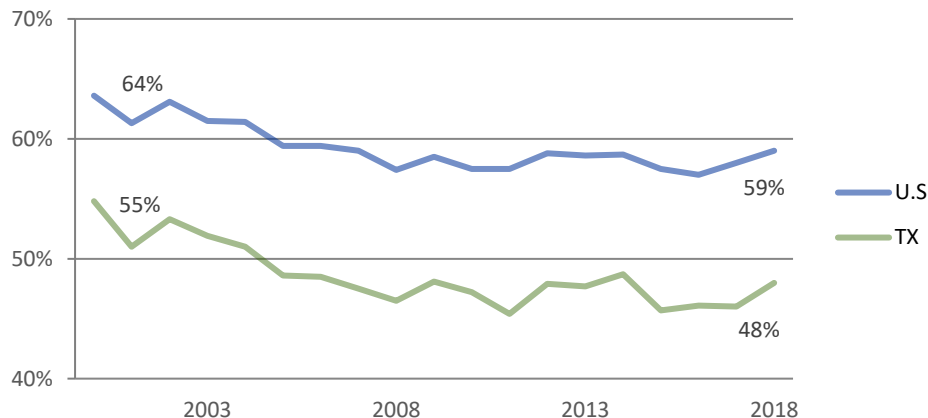
Texas High School Students Lag Behind Students Nationally in College Readiness

PSAT/NMSQT Test Takers Who Are on Track to be College Ready
(2018-2019)



The Preliminary SAT (PSAT) and National Merit Scholar Qualifying Test (NMSQT) are taken by high school sophomores and juniors. These tests help the students prepare for the SAT and prompt them to begin planning for college. The College Board has developed college readiness benchmark scores that students should meet or exceed in order to be considered on track for college readiness. Based on this measure, Texas sophomores and juniors somewhat lag behind their national peers in college readiness.

Percent of AP Test Takers who Scored at Least a 3 on at Least One
AP Test (2000 - 2018)

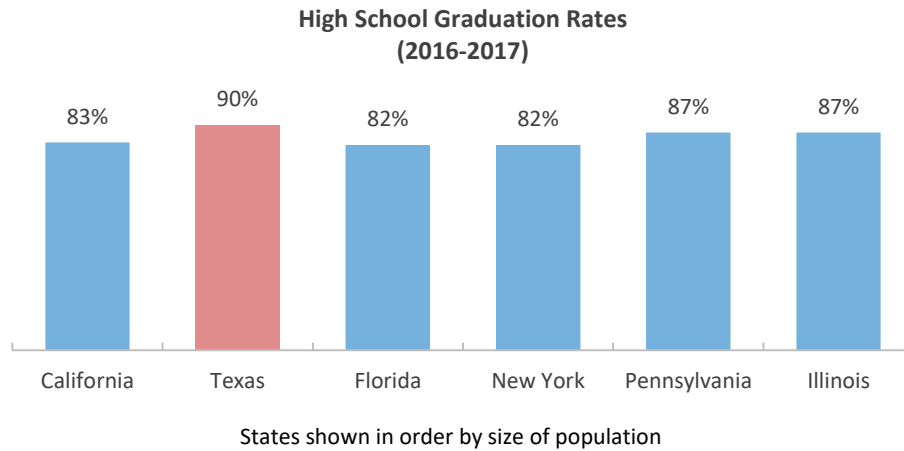


The Advanced Placement (AP) program offers more than 30 college-level courses and examinations to high school students, though a student can take an exam without having taken the course. These courses satisfy high school diploma requirements, and sufficient scores on the exams can help students gain admission to selective colleges and even earn college credit (at the institution's discretion). Since 2005, all public higher education institutions in Texas that have freshman level courses have been required to grant credit to incoming students who earn a 3 or higher on an AP exam.

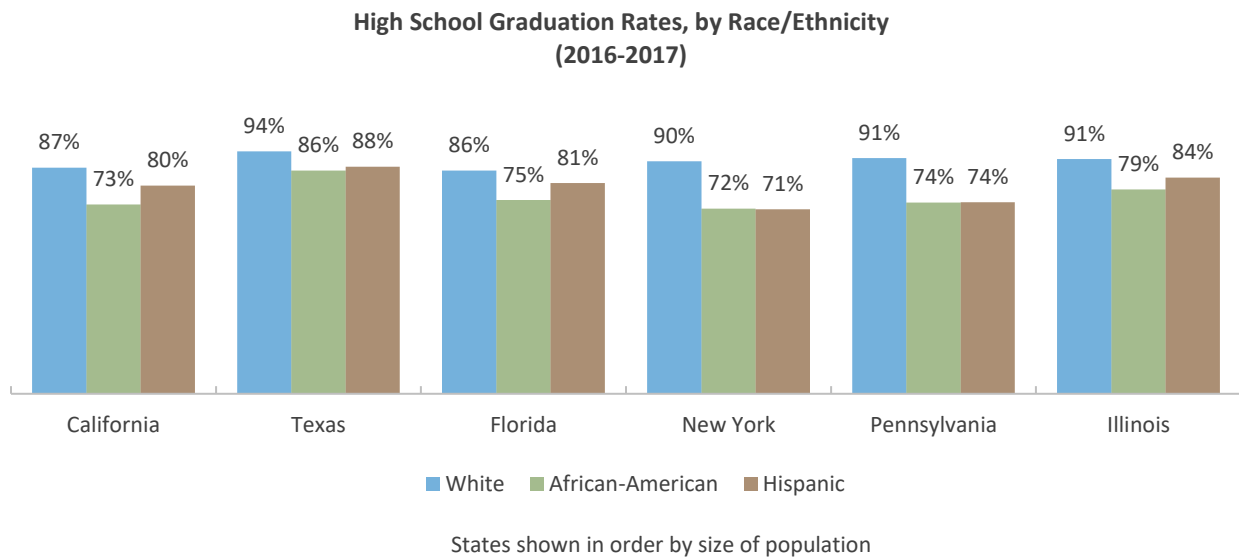
Texas trailed the nation in success rates in 2018, with 48 percent of test takers earning at least a 3 on an AP exam compared to 59 percent nationally. The percentage of AP test takers who scored at least a 3 on at least one AP test has declined both nationally and in Texas since 2000, however, the total numbers of AP test takers have also increased significantly during this time period.

Source: PSAT/NMSQT: The College Board, PSAT/NMSQT Data & Reports (<https://reports.collegeboard.org/pdf/2019-texas-sat-suite-assessments-annual-report.pdf>; <https://reports.collegeboard.org/pdf/2019-total-group-sat-suite-assessments-annual-report.pdf>); AP: The College Board, AP Program and Participation Data 2018 (<https://research.collegeboard.org/programs/ap/data/archived/ap-2018>).

Texas Tops the Most Populous States in High School Graduation Rates



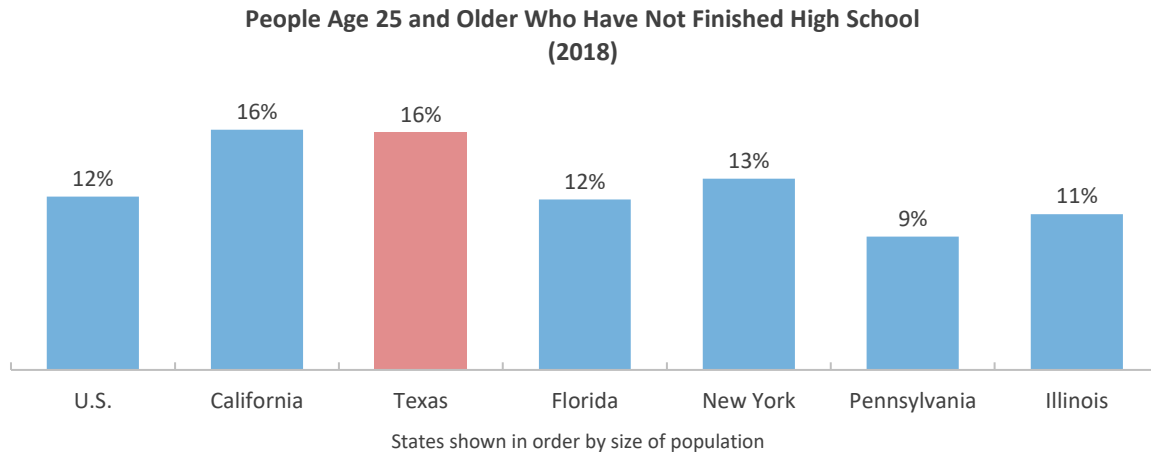
Texas ranked fifth in the nation for high school graduation rates in 2016-2017, tying with three other states at 90 percent. Texas ranked highest among the six most populous states in the nation and led the most populous states in graduation rates within racial and ethnic groups. Nationally, the overall graduation rate in 2016-2017 was 85 percent.



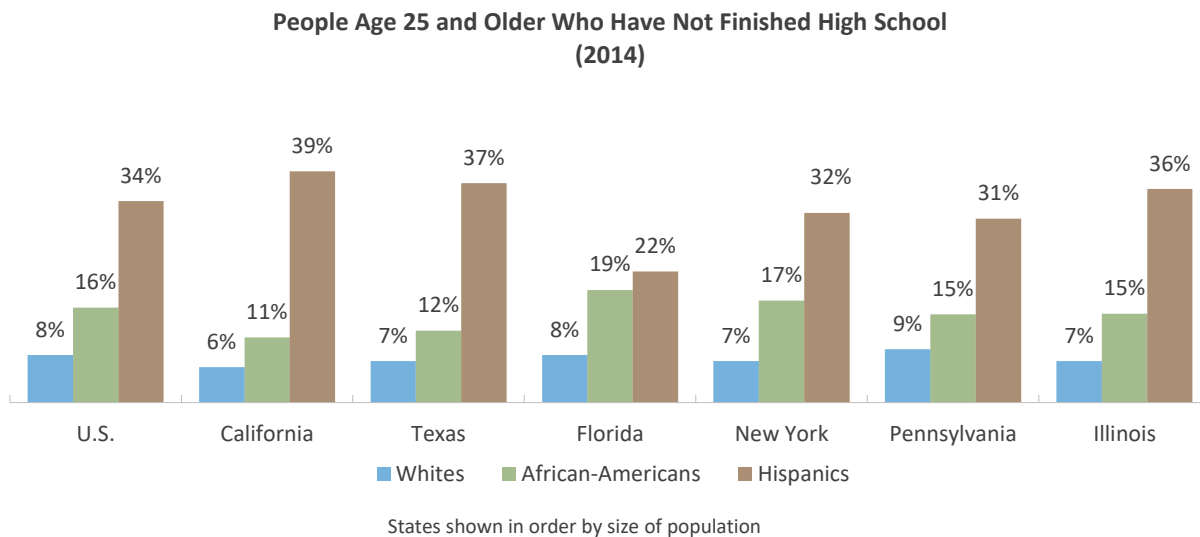
The recent increases in high school graduation rates have been due in part to dramatic reductions in the number of “dropout factory” high schools in the past 10 years. These schools are defined as having 60 percent or less of their ninth-grade class still enrolled in their senior year. In 2002, more than 2.6 million students were enrolled in these type “dropout factory” high schools compared to less than 900,000 in 2015.

Sources: Graduation Rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (<https://eddataexpress.ed.gov/>); All else: America’s Promise Alliance, 2017 *Building a Grad Nation Report: Progress and Challenge in Raising High School Graduation Rates* (<http://gradnation.americaspromise.org/report/2017-building-grad-nation-report#driver-5-low-graduation-rate-high-schools>).

Texas Ties California for Largest Percentage of People Age 25 and Older Lacking a High School Education



In 2018, 16 percent of people age 25 and older (or 3 million people) in Texas had not finished high school. This is the same percentage as California and a higher percentage than any other state in the nation. In the U.S., 12 percent of adults had not finished high school. However, overall high school diploma attainment in Texas is improving. Recent cohorts of Texas high school graduates rank Texas near the top compared to other states.



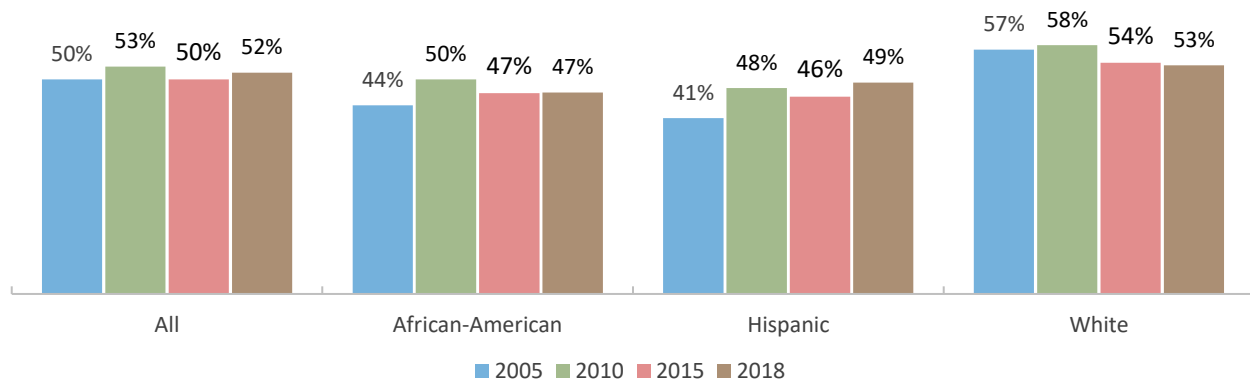
The high school completion rates of different racial and ethnic groups vary widely. Although these disparities exist in many areas of the country, they are particularly important for Texas, which has become a “minority-majority” state. At the high school level, data show that:

- Hispanics, who comprised over a third of the Texas population in 2016 and who are projected to comprise 43 percent by 2050, are the least likely to have obtained a high school diploma. As of 2016, 37 percent of Hispanics age 25 and older had not finished high school.
- Approximately 12 percent of African-Americans in Texas have not completed high school. This represents a major improvement since 2006, when 17 percent of African-Americans had not finished high school.

Sources: Texas Demographic Center, Texas Population Projections Program, “Population Projections for the State of Texas and Counties in One File,” 2018 (<https://demographics.texas.gov/Data/TPEPP/Projections/Index.aspx>); High school completion among 25 and older: U.S. Census Bureau, 2018 American Community Survey 1-Year Estimates, Detailed Tables (<http://www.census.gov/acs/www/>); High school graduation rates: U.S. Department of Education, ED Data Express, Data about elementary and secondary schools in the U.S. (<http://eddataexpress.ed.gov/>).

About Half of Texas High School Graduates Enroll in College Immediately after High School

Percentage of Texas High School Graduates Enrolling in College Immediately after Graduation*



In 2000, Texas set the goal of “Closing the Gaps” in participation and success in higher education by 2015 by increasing the number of students enrolled and the number of degrees awarded. The new 15-year plan, 60x30TX, began in 2015, building on the goals and results of the “Closing the Gaps” plan.

In 2005, 50 percent of all Texas high school graduates entered college in the summer or fall immediately after high school graduation. This increased to 54 percent in 2009, but steadily declined each year from 2010-2017, falling back to 50 percent by 2017. In 2018, there was a slight increase to 52 percent. This overall trend holds for the individual racial/ethnic groups – the rates peaked in 2009 and then fall slightly each year after until 2017, with some experiencing slight increases in 2018.

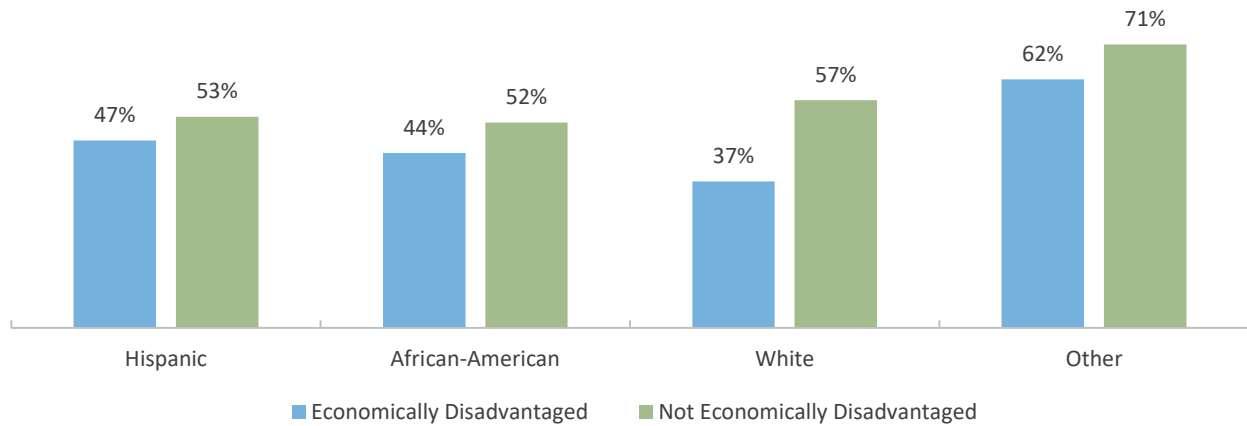
The percentage of White students who enroll immediately after high school still exceeds the percentage of non-Whites; however, this gap is closing. There was a 16-percentage point gap between White students and Hispanic students in 2005. This shrank to four percentage points in 2018 due both to rising college enrollment rates among Hispanic students and dropping rates among White students. The gap between African-American and White students has also been closing. The straight-to-college pathway traditionally results in higher postsecondary attainment rates compared to delaying college entry after high school graduation.

* Includes only Texas high school graduates who enrolled in a Texas public or private, nonprofit college or university. Data on students who enrolled at proprietary institutions or enrolled in out-of-state schools are not available. In AY 2007–2008, about 93 percent of Texas students who enrolled in college immediately after high school graduation were attending school in their state of residence.

Sources: “Closing the Gaps” goals: Texas Higher Education Coordinating Board (THECB) *Closing the Gaps*. October 2000 (<http://www.theccb.state.tx.us/reports/PDF/0379.PDF?CFID=11742258&CFTOKEN=38987795>); Texas high school students enrolling in college immediately after graduation: Texas Higher Education Coordinating Board (THECB) High School to College Linkages, 2017, “High School Graduates Enrolled in Higher Education the Following Fall: State Summary by Ethnicity and Higher Education Sector, Fall 2000 to Fall 2018” (<http://www.txhighereddata.org/index.cfm?objectid=77D62E90-D970-11E8-BB650050560100A9>)

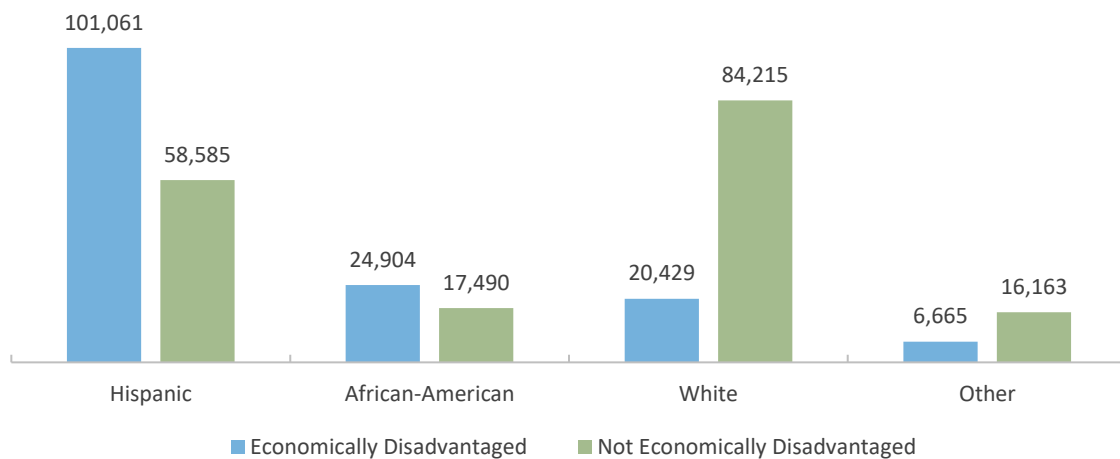
Low-Income Texas Students Are Less Likely to Directly Enroll in College

Percentage of 2017-18 Texas High School Graduates Enrolled in Texas Higher Education in Fall 2018, by Ethnicity



Economically disadvantaged* high school graduates in Texas are less likely to directly enroll in college. This is true across all racial and ethnic categories but is especially pronounced for White students.

Number of 2017-18 Texas High School Graduates, by Ethnicity

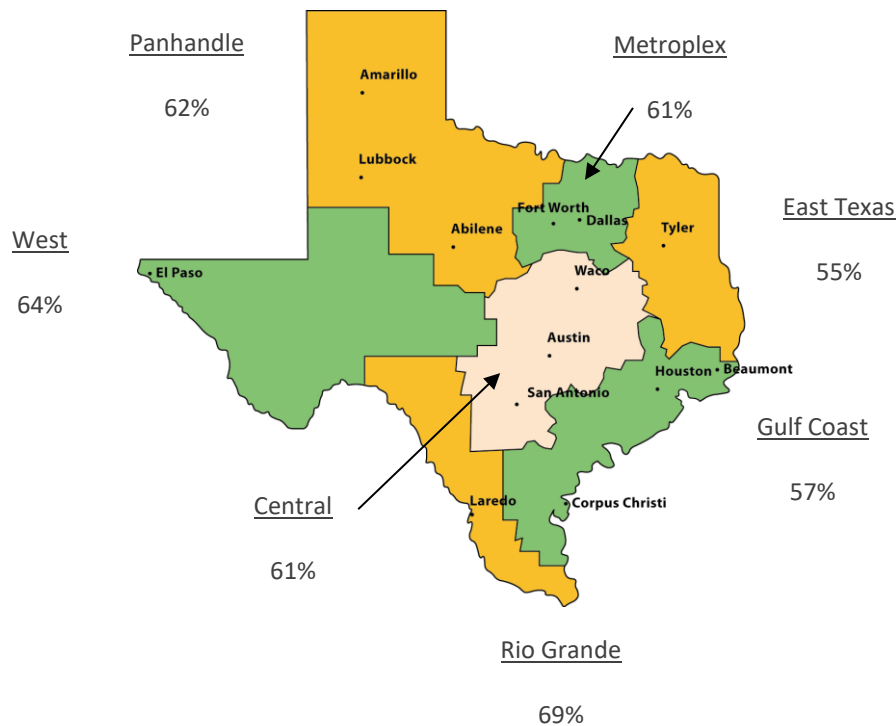


Only 20 percent of White high school graduates in Texas are considered to be economically disadvantaged, while 63 percent of Hispanic and 59 percent of African-American high school graduates are considered economically disadvantaged.

*The Texas Education Agency (TEA) collects data on whether a student is “economically disadvantaged” based on the student’s eligibility for free or reduced lunch as a proxy for family income. The TEA does not have detailed information about family income.

Rio Grande Valley Has Highest FAFSA Completion Rates in Texas

Fall 2018 FAFSA Completion Rate by Region*



The Free Application for Federal Student Aid (FAFSA) is the standardized financial aid application used by nearly all colleges and universities to award most types of financial aid. By completing the FAFSA, students and their families have access to more financial options and can make more informed decisions about attending college.

Starting in the 2020-2021 school year, Texas will become the second state in the nation to require high school seniors to submit a FAFSA application before graduating. Louisiana started requiring this step last year and has since ranked first among states in FAFSA completion, experiencing a 25 percent increase over the previous year. Texas is hoping to see a boost that will help more students obtain the financial aid they qualify for and help more students feel confident that they can afford to attend college.

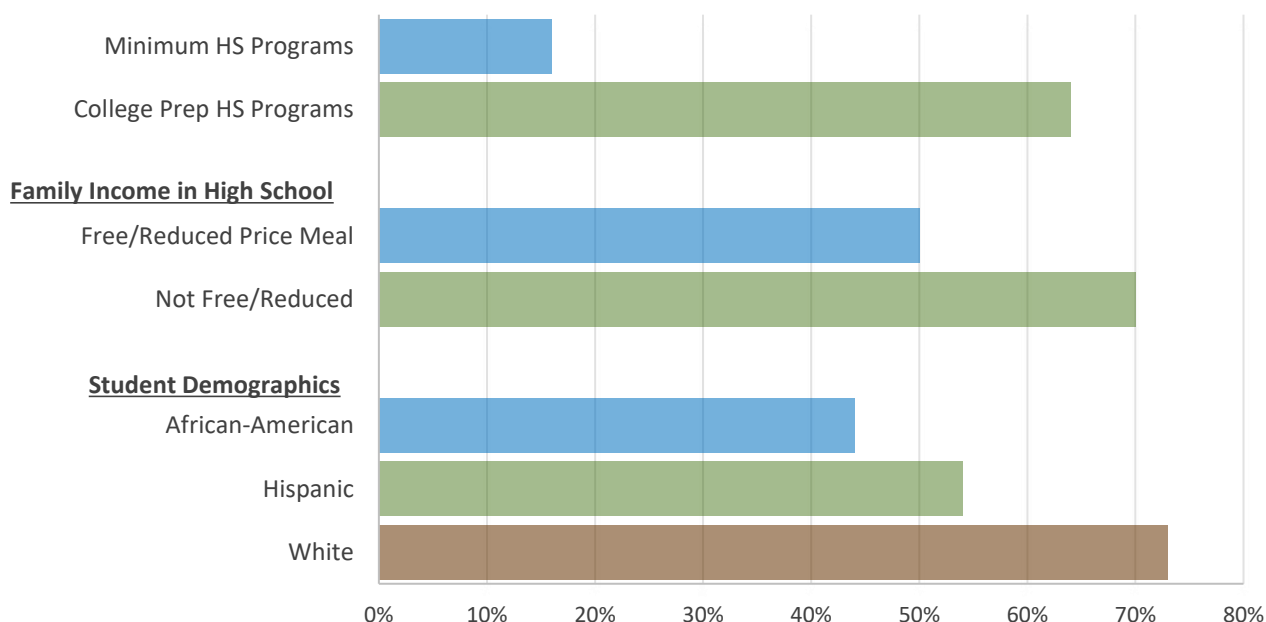
The statewide FAFSA completion rate was 61 percent in fall 2019 and varied from 55 percent in the East Texas region to 69 percent in the Rio Grande Valley region. Many Texas communities promote FAFSA completion to encourage college enrollment, which, in turn, strengthens the skills in their local labor markets. The Rio Grande Valley region, a close-knit community, has been relatively successful in their efforts. Many of the high schools have college admissions specialists on campus, and FAFSA completion work is championed by district leadership.

* Fall 2019 represents the class of 2018-2019 high school seniors completing the FAFSA as of September 20, 2019.

Source: U.S. Department of Education, Office of Federal Student Aid, *FAFSA Completion by High School* (<http://studentaid.ed.gov/about/data-center/student/application-volume/fafsa-completion-high-school>). Number of high school seniors from Texas Education Agency (special request); FAFSA Requirement for High School Seniors: Inside Higher Ed, Making the FAFSA Mandatory (July 10, 2019) (<https://www.insidehighered.com/news/2019/07/10/texas-becomes-second-state-require-fafsa-completion>); Rio Grande Valley FAFSA efforts: learned via communication with the Austin Chamber of Commerce.

The Importance of College Prep Programs in High School

Percent of 2016-17 Texas High School Graduates, Enrolled in Texas Higher Education in Fall 2017 that Met All TSI Standards



The Texas Success Initiative (TSI) was created by the state to help colleges and universities assess the college-readiness of incoming students in reading, writing, and math. To meet TSI standards, students either score high enough on an approved TSI assessment or complete an approved TSI exemption (e.g., scoring above a threshold on the SAT, ACT, or TAKS tests, or completing college-level coursework). Students who do not meet TSI standards may be required to complete developmental coursework – courses that often do not count towards a certificate or degree program – before enrolling in college-credit courses.

Of all 2016-17 high school graduates who enrolled in higher education the following fall, 61 percent met TSI standards in math, writing, and reading. However, the percentages of high school students who met all TSI standards varied widely when comparing key characteristics. Students who enrolled in higher education after completing the minimum high school diploma program were far less likely to meet TSI standards than students who completed the College Prep* diploma. Sixty-four percent of students in the College Prep diploma program met all TSI standards, compared to just 16 percent of those completing the minimum diploma program.

Low-income high school graduates were also less academically prepared for college than their peers. Fifty percent of students who received free or reduced-price meals in high schools – a common, though imperfect, metric to identify low-income students – met all TSI standards. In contrast, 70 percent of students who did not receive free or reduced-price meals met all TSI standards. College readiness measures also varied based on student demographics. Seventy-three percent of White students met all TSI standards, compared to 54 percent of Hispanic students and 44 percent of African-American students.

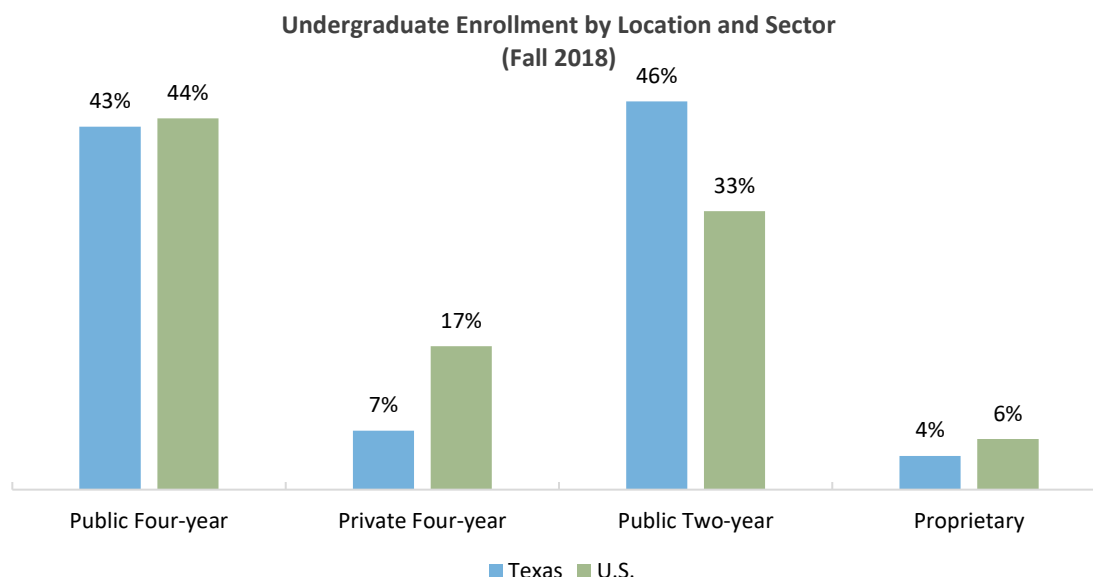
*A high school student who graduates under either the Recommended or Distinguished achievement program is considered to have a College Prep diploma for the purposes of this analysis, and a graduate of the Foundation or Minimum achievement program is considered a Minimum program. The Recommended and Distinguished programs require more completed credits (26) in mathematics, science, social studies, language other than English, and fine arts than the minimum program. The Minimum program has fewer required completed credits (22).

Source: TSI Description and Requirements, College for All Texas, (<http://www.collegeforalltexas.com/index.cfm?objectid=63176344-FFFA-217B-60C9A0E86629B3CA>). Student Performance on Texas Success Initiative (TSI) Readiness Measures 2016-17 High School Graduates Enrolled in Texas Public Higher Education in Fall 2017, THECB, August 2018, (<http://www.txhighereddata.org/index.cfm?objectid=271084AB-F486-92EE-63465FF6417C448E>).

SECTION 3

Profile of Texas College Students

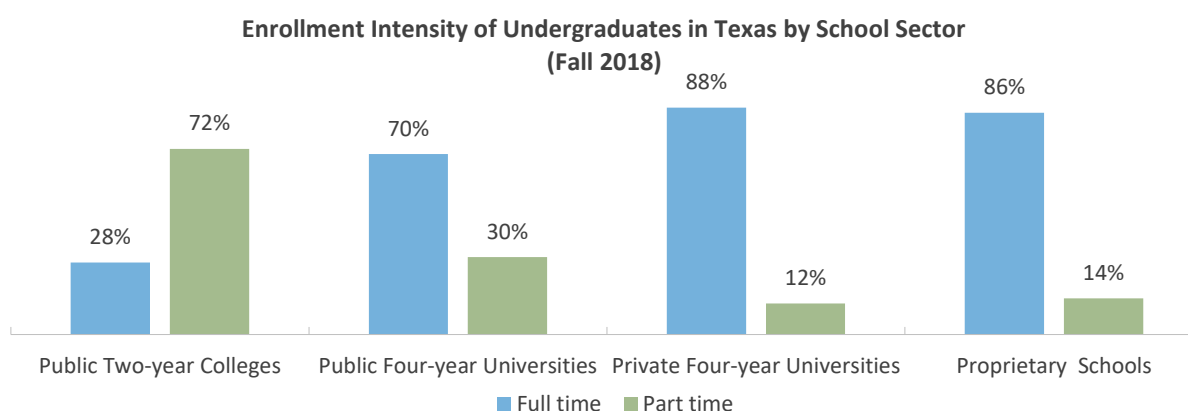
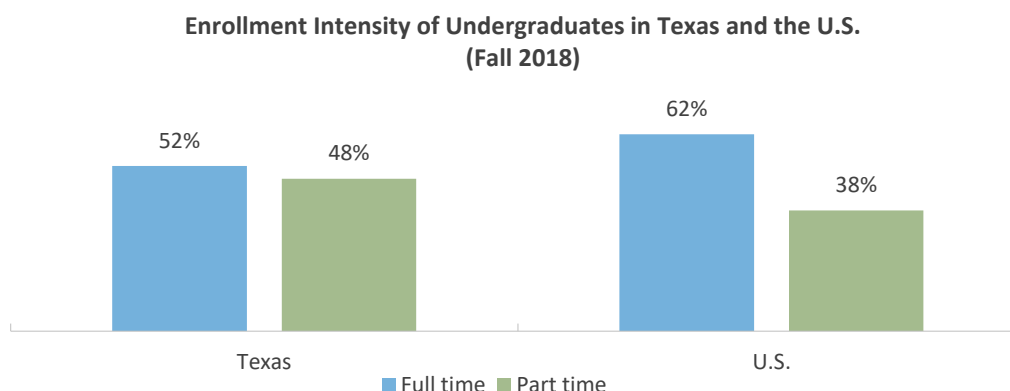
Texas Undergraduates More Likely Than U.S. Undergraduates to Attend Two-year Institutions



Almost half Texas undergraduates attended public two-year institutions in the fall of 2018, far higher than the percentage of undergraduates nationwide in that sector. Texas undergraduates were less likely to be enrolled at private four-year or proprietary institutions compared to undergraduates nationwide, and about as likely to be enrolled at public four-year institutions.

While its relative low cost helps create access to postsecondary education, students who enroll at public two-year institutions are more likely to attend part-time compared to students enrolled in other sectors. Part-time students are at a greater risk of dropping out compared to those attending full-time (see the next page), which is one of the factors that makes Texas undergraduates generally riskier than U.S. undergraduates.

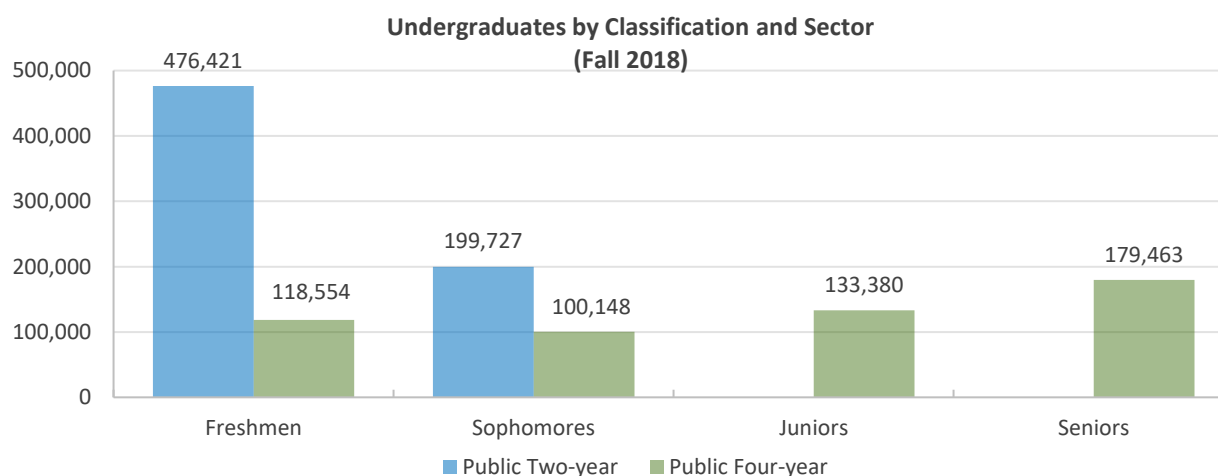
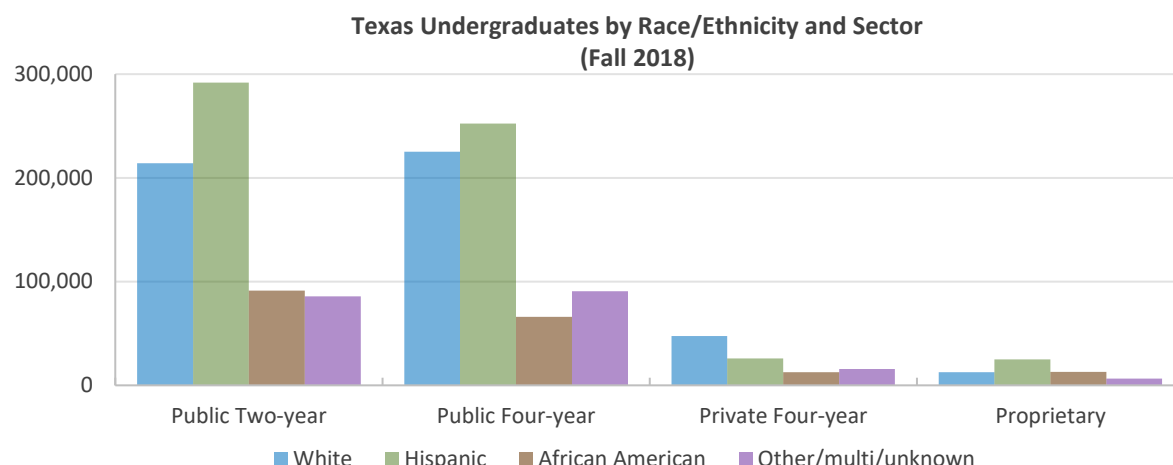
Nearly Half of Undergraduates in Texas Enroll in School Part Time



Part-time enrollment is more common in Texas than in the nation as a whole. As of fall 2018 about 52 percent of undergraduates in Texas were classified as full-time students. Full-time attendance is most common at private four-year universities, followed closely by proprietary colleges, then public four-year universities. At public two-year colleges, the largest sector by enrollments, less than a third of students attend full-time. Reasons for part-time enrollment vary but may pertain to financial concerns, like having limited funds for school expenses, trying to avoid student loans, or working more to provide for oneself and/or family. For several reasons, students who attend part-time are more likely to drop out of school.

Note: Institutions report their enrollment data to the Department of Education. The data are compiled but not de-duplicated at a student level, therefore some students may be concurrently enrolled at multiple institutions which may increase the proportion of students enrolled part-time.

Most Undergraduates in Texas Attend Two-year Institutions



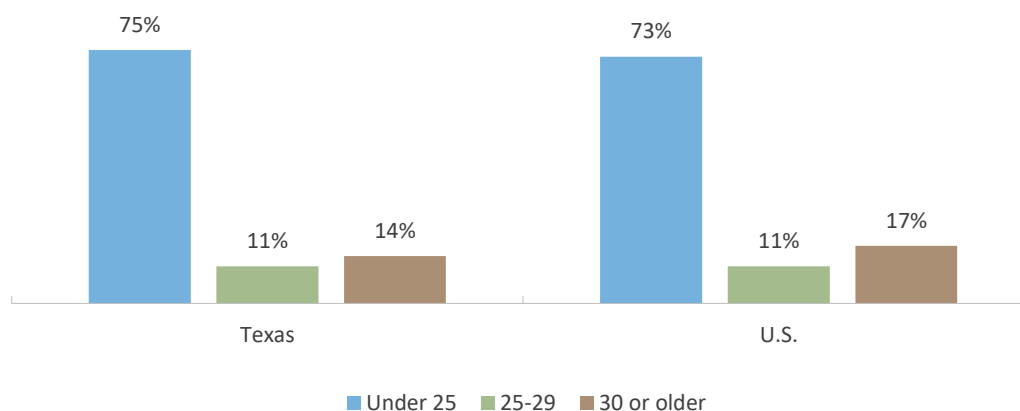
Across most races/ethnicities, the number of undergraduates at public two-year institutions in Texas exceeds the number at public four-year institutions and far exceeds the number at private institutions. In fact, 80 percent of all freshmen attending Texas public institutions of higher education in fall 2018 were enrolled at two-year colleges, and only 20 percent were enrolled at four-year universities.

Texas colleges and universities are exceptionally diverse. White students represent about a third or less at three of the sectors and just under half of students in the private four-year sector.

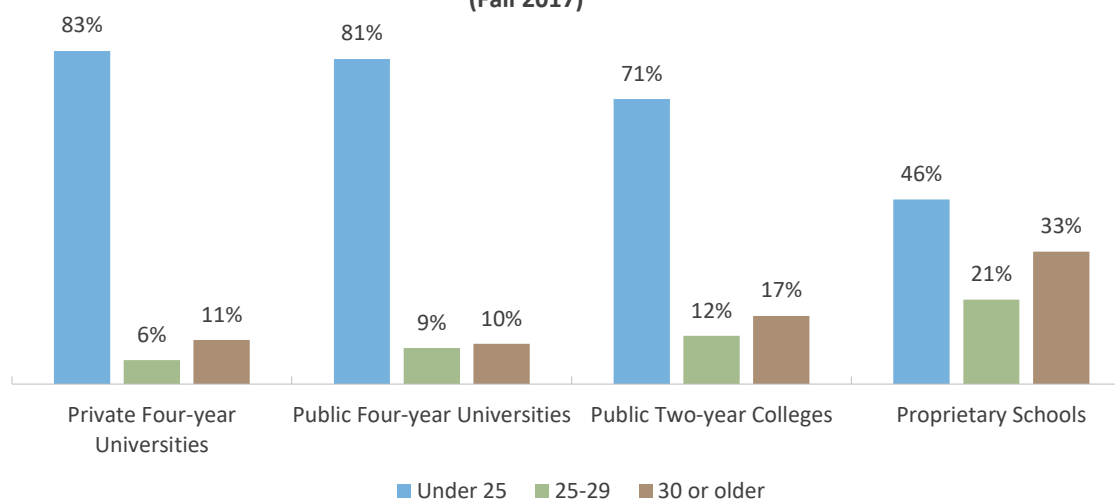
Sources: Enrollment by classification: Texas Higher Education Coordinating Board (THECB), Texas Higher Education Data, Accountability System Interactive Reports, Enrollment Statewide by Institution Type and Classification (<http://www.txhigheredaccountability.org/AcctPublic/InteractiveReport/Accountability>). Enrollment by race (fall 2018): U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds/>).

One Quarter of Undergraduates in Texas Are Age 25 or Older

**Age of Undergraduates in Texas and the U.S.
 (Fall 2017)**



**Age of Undergraduates in Texas by School Sector
 (Fall 2017)**

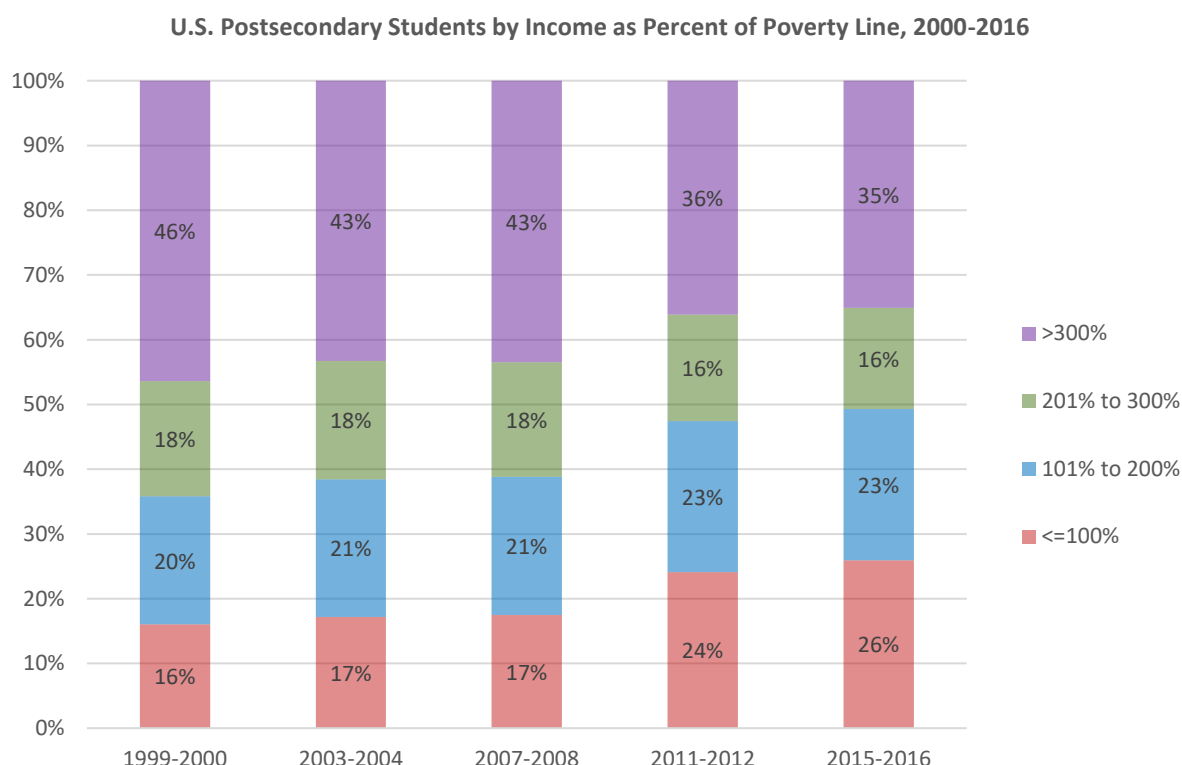


Of all Texas undergraduates in fall 2017, 75 percent were under age 25, 11 percent were between age 25 and 29, and 14 percent were age 30 or older. In the U.S. as a whole, older undergraduates are only marginally more common, with 73 percent of fall 2017 undergraduates under the age of 25, 11 percent between age 25 and 29, and 17 percent age 30 or older.

More than 80 percent of undergraduates at public four-year universities and private four-year universities are under the age of 25. At public two-year colleges, 71 percent of students are under age 25. Proprietary schools and public two-year colleges have higher percentages of older undergraduates. About 33 percent of undergraduates at proprietary schools and 17 percent of undergraduates at public two-year colleges are age 30 or older.

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (<http://nces.ed.gov/ipeds/>).

Postsecondary Students by Income as Percent of Poverty Line

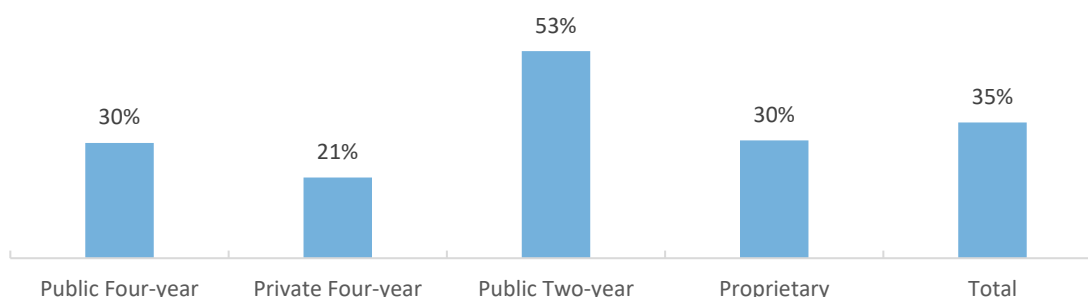


In the 1999-2000 academic year (AY), almost half of college students had a family income of at least 300 percent of the poverty level in that timeframe. By AY 2015-2016, only about a third of college students were in that income category, while those at or below the poverty level increased from 16 percent in AY 1999-2000 to 26 percent in AY 2015-2016.

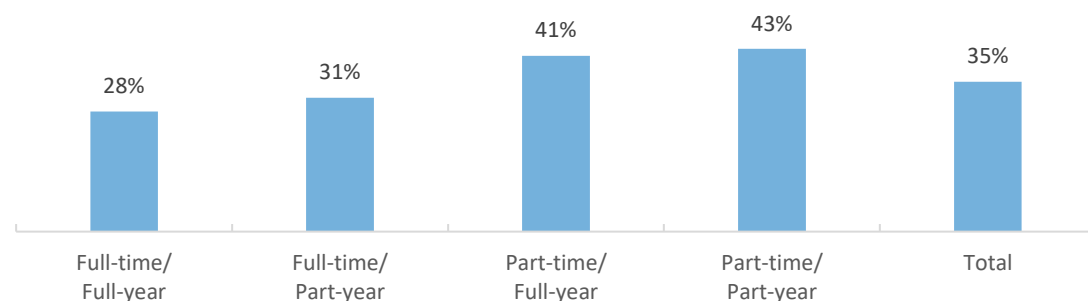
Federal U.S. Department of Health and Human Services poverty guidelines were used along with family size and income to determine the percent. For dependent students, the family size and income of their parents are used. For independent students, the family size and income of that student is used. Students in Alaska and Hawaii had their rates calculated using different, state-specific, poverty guidelines.

Over Half of Community College Students in the U.S. Had Taken Developmental Education Courses During College

Percentage of U.S. Students Who Ever Took Developmental Education Courses,
by Sector
(AY 2015-2016)



Percentage of U.S. Students Who Ever Took Developmental Education Courses,
by Attendance Intensity
(AY 2015-2016)



About a third of all undergraduates in the U.S. who graduated in academic year (AY) 2015-2016 had taken at least one developmental education course while in college. This varied somewhat by sector, with about 21 percent of private four-year undergraduates and more than half of students at public two-year institutions having been through developmental education.

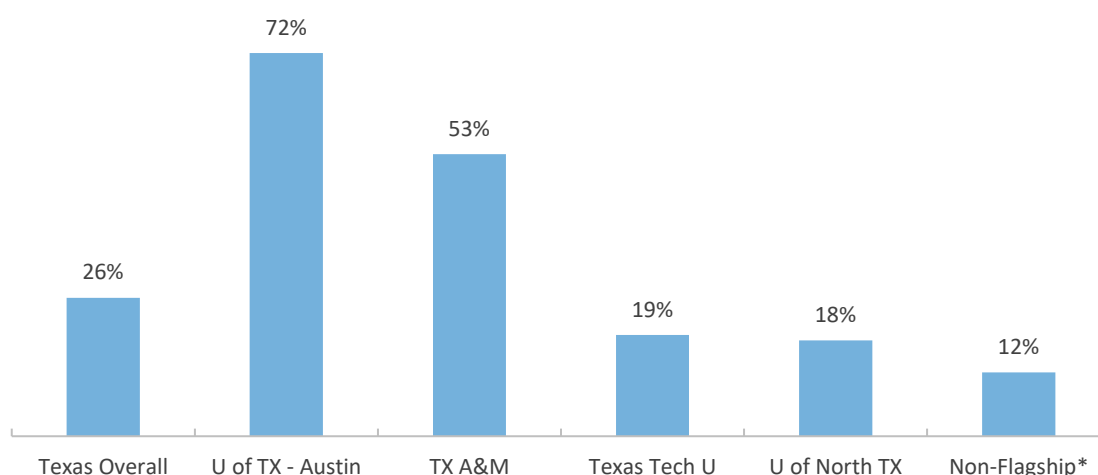
Students who attended full time throughout their postsecondary education were the least likely to take developmental education courses compared to students with other attendance intensity patterns. Students are more likely to have taken at least one developmental education course in college as their attendance intensity lessens.

Students who take developmental education courses are less likely to graduate than their peers. In the Texas public four-year sector, students who did not take developmental education courses had double the graduate rate of their developmental education peers six years after entering higher education. The same pattern is seen in the public two-year sector with the non-developmental education students graduating at nearly double the rate of developmental education students three years after entering college.

Sources: U.S. Department of Education, National Postsecondary Student Aid Study 2016 (NPSAS) (<http://www.nces.ed.gov/das>); Graduation Rate: Texas Higher Education Coordinating Board (THECB), Graduation and Persistence of Developmental Education Students (<http://www.txhighereddata.org/index.cfm?objectId=200A40A0-E156-11E8-BB650050560100A9>).

About 74 Percent of Students at Texas Public Universities Were Not in the Top 10 Percent of Their High School Class

Percentage of Top 10 Percent Admits Among First-Time Texas Public Four-Year University Students (Fall 2017)



While the majority of first-time students at two of Texas' public flagship universities – the University of Texas at Austin and Texas A&M University – are drawn from the top ten percent of Texas high school classes, the far majority of students at Texas public universities are not. Top ten percent graduates account for about 26 percent of all first-time Texas public university students and only about 12 percent* of first-time students at the non-flagship universities. Non-flagship universities account for about 71 percent of all Texas public university undergraduates.

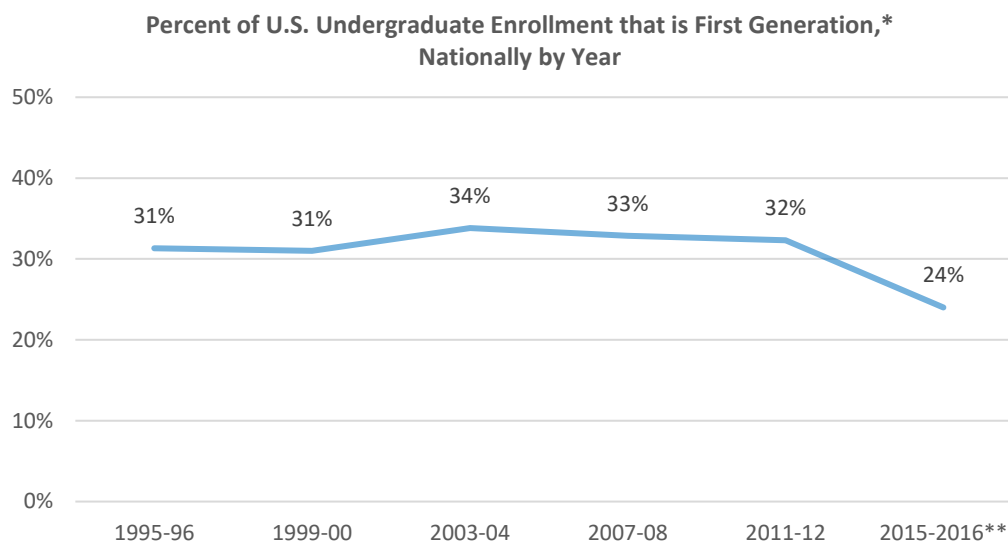
Three out of 33** non-flagship public universities exceeded the average proportion of the top ten percent students: the University of Houston (30 percent), University of Texas at Dallas (30 percent), and University of Texas at Arlington (27 percent). Two others exceeded 20 percent: the University of Texas at the Permian Basin (22 percent) and Texas A&M International University (22 percent).

Eleven public universities had first-time classes whose share of top ten percent enrollment was less than ten percent.

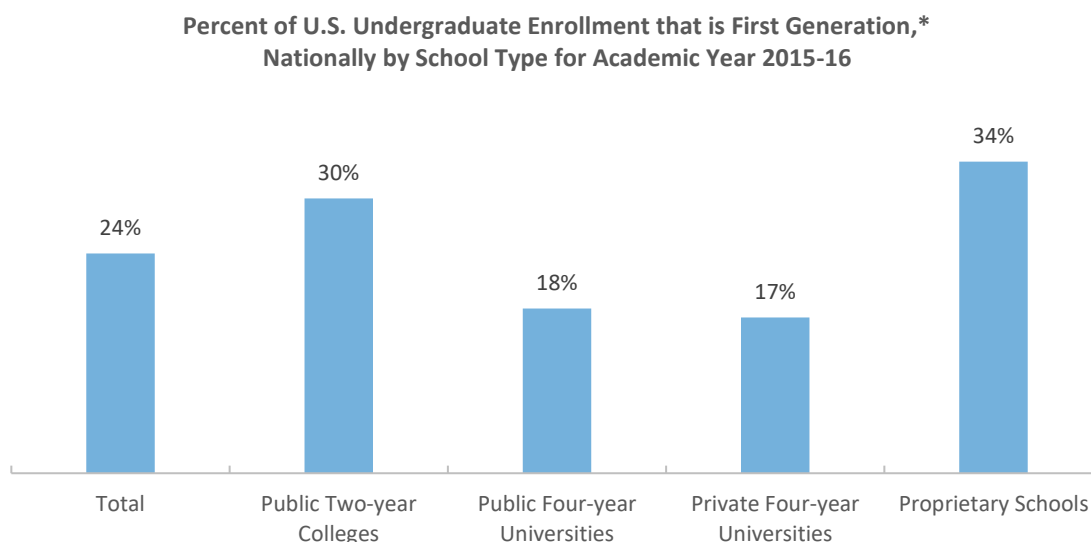
*Estimate based on applying the percentage of top ten percent graduates among first-time students to the number of enrolled freshmen-level students.

**This is the number of non-flagship public universities for which the THECB had data on the percentage of top 10 percent enrollments. There are 37 Texas public universities in total.

First-Generation Students' Proportion of Undergraduate Enrollments Declining



The proportion of U.S. students who are the first in their families to attend college has declined sharply since 2011-12. While first generation students are highly represented in all school sectors, the largest concentration appear at proprietary schools and public two-year colleges.



* First generation for this purpose is defined as students who have parents with the highest level of education attained by either one as high school or below. This does not include those with parents who attended some college or those who are unsure of their parents' educational levels.

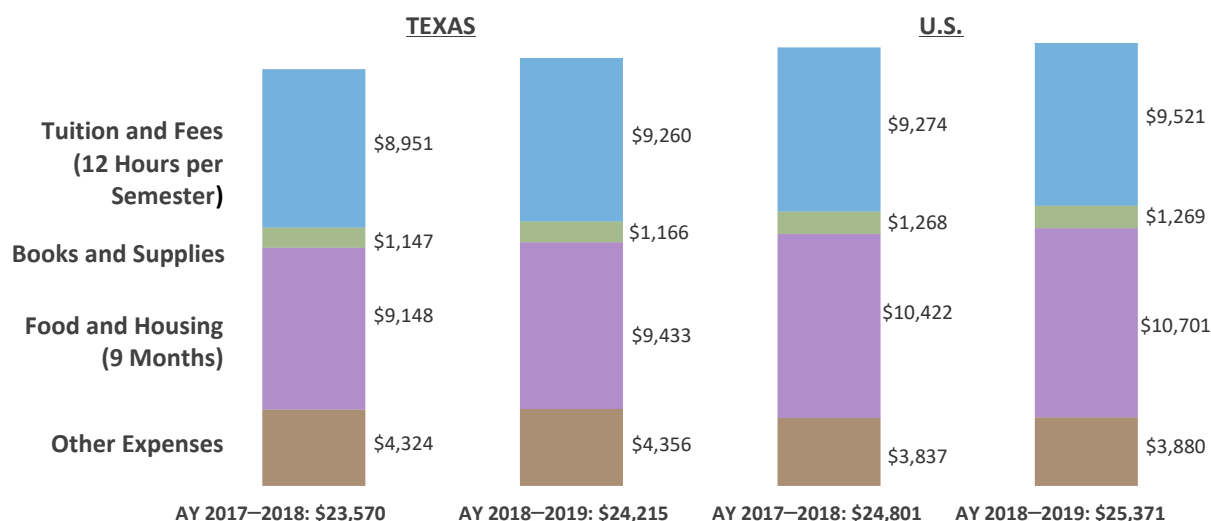
**A change was made for the 2015-2016 survey that expanded the definition of parent to include step-parents or other adult guardians.

SECTION 4

Cost of Education and Sources of Aid in Texas

Texas Public Four-year University Cost of Attendance Below National Average

**Weighted Average Public Four-year University Cost of Attendance for Two Semesters for Full-time Undergraduates
Living Off Campus in Texas and the U.S.
(AY 2017–2018 and AY 2018–2019)**



The tuition and fees charged to students, along with living expenses, books and supplies, transportation, and other expenses, constitute a school’s cost of attendance. From 2018 to 2019, total costs increased by \$645 in Texas and \$570 nationally. Weighted for enrollment,* two semesters of full-time** undergraduate education at a Texas public four-year university averaged \$24,215 in Award Year (AY) 2018–2019. This amount was \$1,156 less than the national average. Total expenses in Texas have been below the national average for many years. With the exception of the “other expenses” category, all types of costs in Texas are lower than their corresponding national averages. The primary expenses facing students are not tuition and fees but food and housing, which make up nearly 40 percent of the cost of attendance. These costs are not discretionary: students must eat, and unless they live with parents — and 78 percent of U.S. public university undergraduates do not — they must pay rent. Together, food, housing, and other expenses comprise about 57 percent of the student budget, while tuition and fees make up 38 percent.

Cost of attendance is the starting point for determining financial aid. From the cost of attendance, the student’s expected family contribution (EFC)*** is subtracted to calculate the student’s financial need. Once financial need is determined, an aid package, consisting primarily of grants and loans, can be developed. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment patterns. To cut costs, many students enroll part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without completing their program of study.

* An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

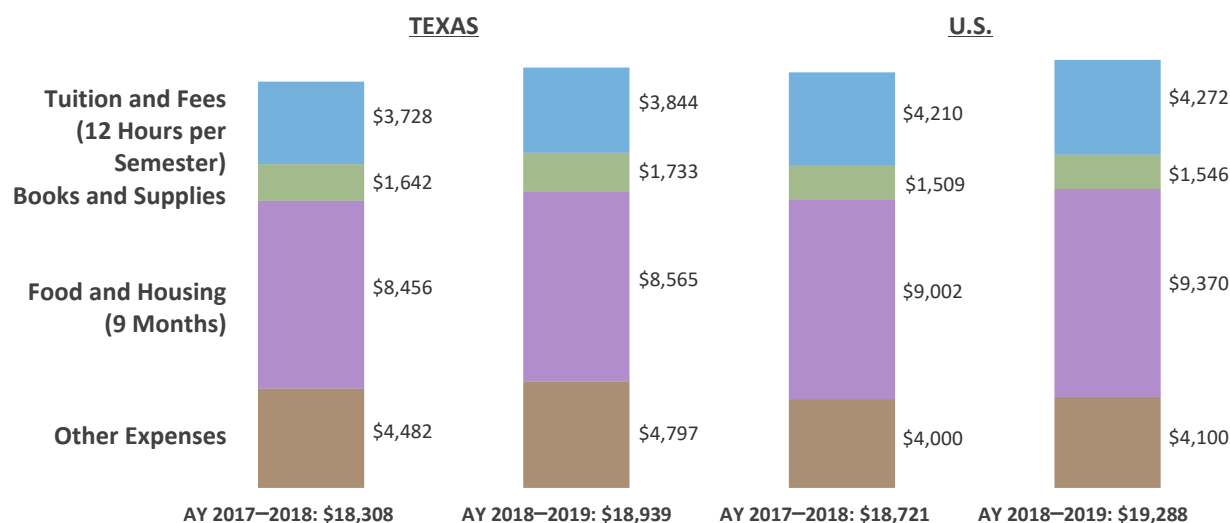
** 12 semester hours or more.

*** EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2015–2016, 18 percent of dependent undergraduates enrolled at public four-year universities nationwide reported that they received no help from their parents in paying education and living expenses.

Sources: All Costs and Enrollments for 2018–2019: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

Texas Public Two-year Colleges Cost Below The National Average

**Weighted Average Public Two-year College Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S.
(AY 2017–2018 and AY 2018–2019)**



The cost for two full-time* semesters at Texas public two-year colleges, weighted for enrollment,** averaged \$18,939 in AY 2018–2019. This is an increase of \$631 over the Texas average in AY 2017–2018 and is \$349 less than the AY 2018–2019 national average. Costs in all categories have increased in Texas and nationally since AY 2017–2018, with the largest increases occurring in the other expenses category in Texas.

The total cost of attendance for a student includes tuition and fees, books and supplies, and living expenses. The student’s financial need is calculated by subtracting the expected family contribution (EFC)*** from the cost of attendance, which is the basis for determining the financial aid package. This package consists primarily of grants and loans. The actual amount that students pay for college depends upon factors such as how much and what type of aid they receive, how frugally they live, and the number of credit hours they take. To save money, students may enroll in school part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without completing their program of study.

* 12 semester hours or more.

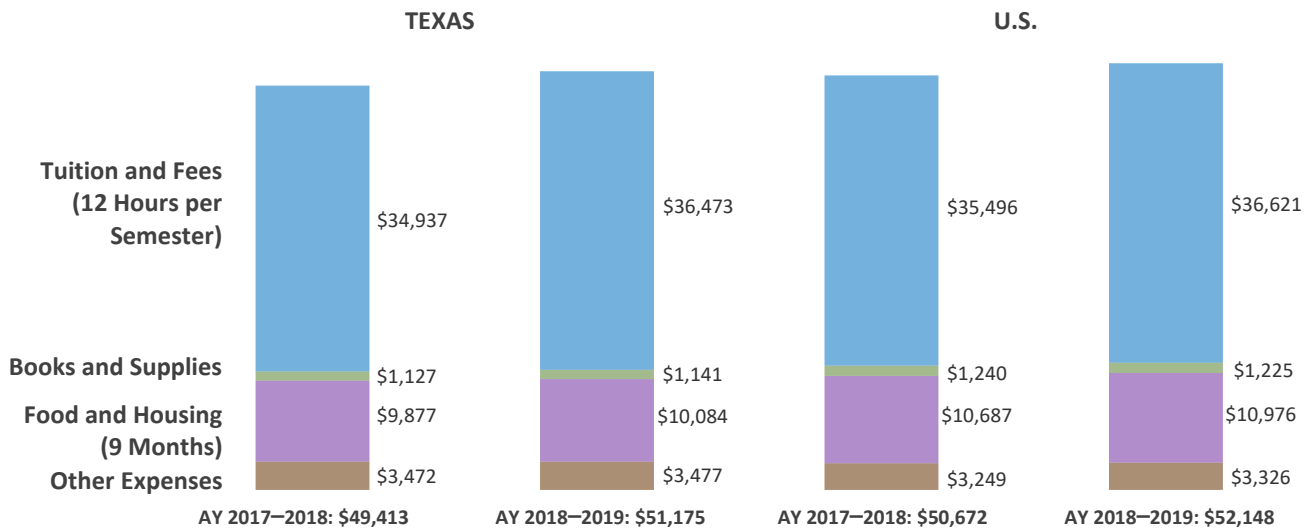
** An institution’s costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

*** EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2015–2016, 29 percent of dependent undergraduates enrolled in public two-year colleges nationwide reported that they received no help from their parents in paying education and living expenses.

Sources: All Costs and Enrollments for 2018–2019: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

Costs at Texas Private Four-year Universities Still Less Than National Average

**Weighted Average Private Four-year University Cost of Attendance for Two Semesters for Full-time Undergraduates Living Off Campus in Texas and the U.S.
(AY 2017–2018 and AY 2018–2019)**



The increase from Award Year (AY) 2017–2018 to AY 2018–2019 of the average cost of attendance at private four-year universities in Texas, at \$1,762, was due almost entirely to an average \$1,536 increase in tuition and fees. Weighted for enrollment,* the total cost of attendance for undergraduates at Texas private four-year universities for two full-time** semesters averaged \$51,175 in AY 2018–2019. This is lower than the national cost of attendance for the same year, at \$52,148. The difference is mainly because tuition and fees in Texas are \$148 lower than the national average and food and housing costs in Texas are \$892 lower than the national average.

As with public institutions, students who enroll in private four-year universities may receive an aid package, which primarily consists of grants and loans. A student's need is calculated by subtracting the expected family contribution (EFC)*** from the cost of attendance in order to determine what kind of financial aid package they should receive. The total cost of attendance includes tuition and fees, books and supplies, and living expenses. To save money, students may choose to enroll in school part time, work long hours, or both — but these strategies may increase their chance of dropping out of school without a degree.

* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

** 12 semester hours or more.

*** EFC is determined through a federal formula that considers family income and size as well as the number of children in college, among other factors. The average amount that families actually contribute to educational expenses is unknown. In AY 2015–2016, 17 percent of dependent undergraduates enrolled at private four-year universities nationwide reported that they received no help from their parents in paying education and living expenses.

Sources: All Costs and Enrollments for 2018–2019: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (<http://nces.ed.gov/ipeds/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

The Cost of Going to College Continues to Rise Each Year

**Change in Costs for Students Living Off Campus: Dollar and Percentage Change
 (AY 2017–2018 to AY 2018–2019, Costs Weighted for Enrollment*)**

| Texas | Public Four-Year | | Public Two-Year | | Private Four-Year | |
|--------------------------------------|------------------|-------------------|-----------------|-------------------|-------------------|-------------------|
| | Dollar Change | Percentage Change | Dollar Change | Percentage Change | Dollar Change | Percentage Change |
| Tuition and Fees (12 Hours/Semester) | \$309 | 3% | \$116 | 3% | \$1,536 | 4% |
| Books and Supplies | \$19 | 2% | \$91 | 6% | \$14 | 1% |
| Food and Housing | \$285 | 3% | \$109 | 1% | \$207 | 2% |
| Other | \$32 | 1% | \$315 | 7% | \$5 | 0% |
| Total Change | \$645 | 3% | \$631 | 3% | \$1,762 | 4% |

| U.S. | Public Four-Year | | Public Two-Year | | Private Four-Year | |
|--------------------------------------|------------------|-------------------|-----------------|-------------------|-------------------|-------------------|
| | Dollar Change | Percentage Change | Dollar Change | Percentage Change | Dollar Change | Percentage Change |
| Tuition and Fees (12 Hours/Semester) | \$247 | 3% | \$62 | 1% | \$1,125 | 3% |
| Books and Supplies | \$1 | 0% | \$37 | 2% | -\$15 | -1% |
| Food and Housing | \$279 | 3% | \$368 | 4% | \$289 | 3% |
| Other | \$43 | 1% | \$100 | 3% | \$77 | 2% |
| Total Change | \$570 | 2% | \$567 | 3% | \$1,476 | 3% |

Weighted for enrollment,* the total cost of attendance in all sectors in Texas and nationally increased between two and four percent between Award Year (AY) 2017–2018 and AY 2018–2019. By percentage, Texas had roughly equivalent or larger increases in all sectors compared to the nation.

Research shows that rents increased by larger percentages in zip codes that have at least one four-year university compared to zip codes that do not have any four-year universities. Universities draw students and faculty, but also draw businesses. The demand for housing around universities drives up the prices beyond what is seen in areas without that demand.

The cost of attendance is the starting point for determining financial aid. What students actually pay for college depends on a number of factors, including the aid they receive and how frugally they live, as well as their enrollment and work patterns. To cut costs, many students enroll part time, work long hours, or both. In AY 2015–2016, 56 percent of all undergraduates nationwide attended less than full time/full year — that is, they either took fewer than 12 hours per semester or did not attend at least two semesters — and 79 percent worked while enrolled (36 percent of which worked full time**). Full-time work and part-time enrollment are associated with each other and also with lower completion rates: 63 percent of U.S. undergraduates who work full time while enrolled attend less than full time/full year, slowing their academic progress.

* An institution's costs are multiplied by its enrollment. The sum of costs for all schools is then divided by full-time, undergraduate enrollment, such that schools with higher enrollments are given greater weight. See glossary for clarification.

** 35 or more hours per week; includes work-study/assistantship.

Sources: All Costs and Enrollments for 2018–2019: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds/>); All Costs and Enrollments for 2017–2018: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2017 (<http://nces.ed.gov/ipeds/>); Housing Demand: The Hechinger Report, "The Hidden Risk in Off-Campus Housing Costs," August 23, 2019 (<https://hechingerreport.org/the-hidden-risk-in-off-campus-housing-costs/>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das/>).

Living Situation Key to Staying Within Average Room and Board Budgets at Texas Public Universities

Food and housing make up nearly 40 percent of the cost of attending a public university in Texas. These costs are variable, but they are not discretionary. Students have some control over their lifestyle choice, but they must eat and pay rent. As the food and housing cost estimate is the largest single component of the official cost of attendance at both community colleges and public universities, it has critical implications for the types and amounts of financial aid that students are offered and the amounts institutions expect that students/families can afford to pay.

Using their knowledge of housing located in areas popular with students, Texas universities attempt to estimate the cost of food and housing that is modest but adequate. The room and board estimate at Texas public universities for the 2018-2019 Award Year (AY) ranged from \$6,813 to \$11,835, with the average estimate at \$9,030,* or \$1,003 per month. The U.S. Department of Agriculture (USDA) estimates the minimum dietary needs of an adult can be met on \$270 per month provided that all food is prepared at home, an unlikely scenario for young adults. Subtracting \$270 from \$1,003 leaves \$733 for rent and utilities. The addition of one small pepperoni pizza per week, however, would raise the monthly food budget to \$312,** leaving \$691 for rent and utilities.

The U.S. Department of Housing and Urban Development (HUD) estimates the average nine-month cost of rent and utilities for a one-bedroom unit in the counties and Metropolitan Statistical Areas (MSAs)*** where Texas public universities are located to be \$7,315, or \$813 per month. Sharing housing lowers the cost: a shared one-bedroom costs \$406 per person and a shared two-bedroom costs \$502, or \$251 per person.

These data suggest that a thrifty student who is a savvy grocery buyer, cooks nearly all his meals, and shares housing would stay within the institutional room and board estimate of \$1,003 per month. However, a student who shares all these traits and lives alone will probably not be able to stay within the estimate at about half of Texas universities. At 91 percent of Texas universities, the room and board estimate is too low for a single parent with a dependent. About 12 percent of U.S. undergraduates in AY 2015–2016 had dependent children, and about 7 percent were single parents.

Average USDA/HUD Food and Housing Costs for Two Semesters (9 Months) for Counties and MSAs* Where Texas Public Universities Are Located (AY 2018–2019)**

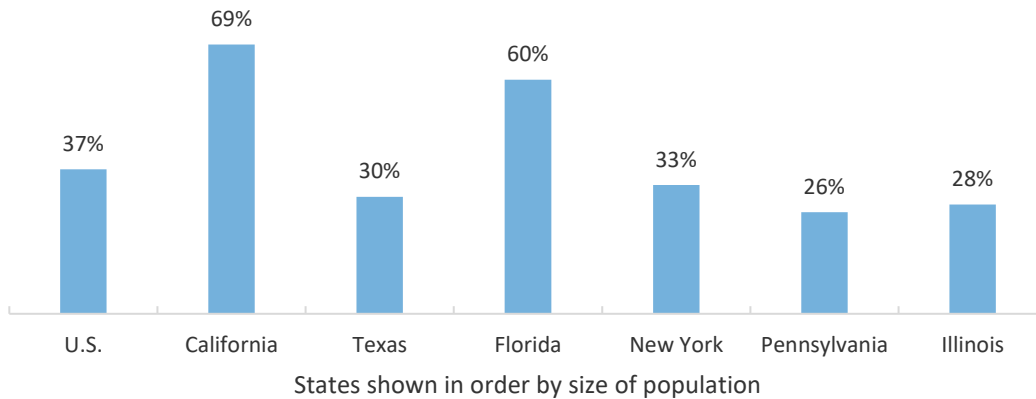
| | Student sharing 1-bedroom unit | Student sharing 2-bedroom unit | Student living alone in 1-bedroom unit | Single parent student with 1 child in 2-bedroom unit |
|--------------------------------------|--------------------------------|--------------------------------|--|--|
| Food | \$2,427 | \$2,427 | \$2,427 | \$3,648 |
| Housing | \$3,657 | \$4,515 | \$7,315 | \$9,030 |
| Total Food and Housing | \$6,084 | \$6,942 | \$9,742 | \$12,678 |
| Average Room and Board Budget | \$9,030 | \$9,030 | \$9,030 | \$9,030 |

*\$9,433 when weighted for enrollment; see glossary for clarification. ** Based on the cost at Conan's Pizza near the University of Texas at Austin, March 2020. *** A Metropolitan Statistical Area is a geographic area of 50,000 or more inhabitants.

Sources: All Costs and Enrollments for 2018–2019: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds/>); U.S. Department of Agriculture. "Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, June 2019." (<https://www.fns.usda.gov/cnpp/usda-food-plans-cost-food-reports-monthly-report>); U.S. Department of Housing and Urban Development (HUD). "Fair Market Rents 2019 for Existing Housing, October 2019," (<http://www.huduser.org/datasets/fmr.html>); All other: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

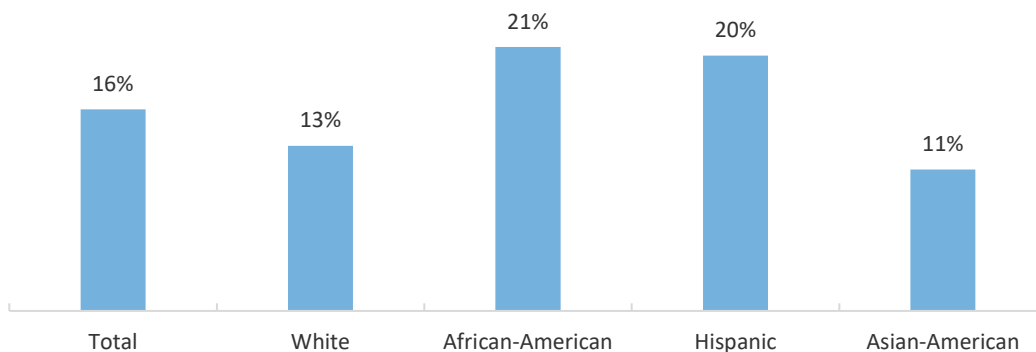
Average Tuition at Texas Public Four-year Institutions Has Increased by 30 Percent Since 2008, Lower Than for the U.S.

Percent Change in Average Tuition at Public Four-Year Colleges, Inflation Adjusted, 2008-2018



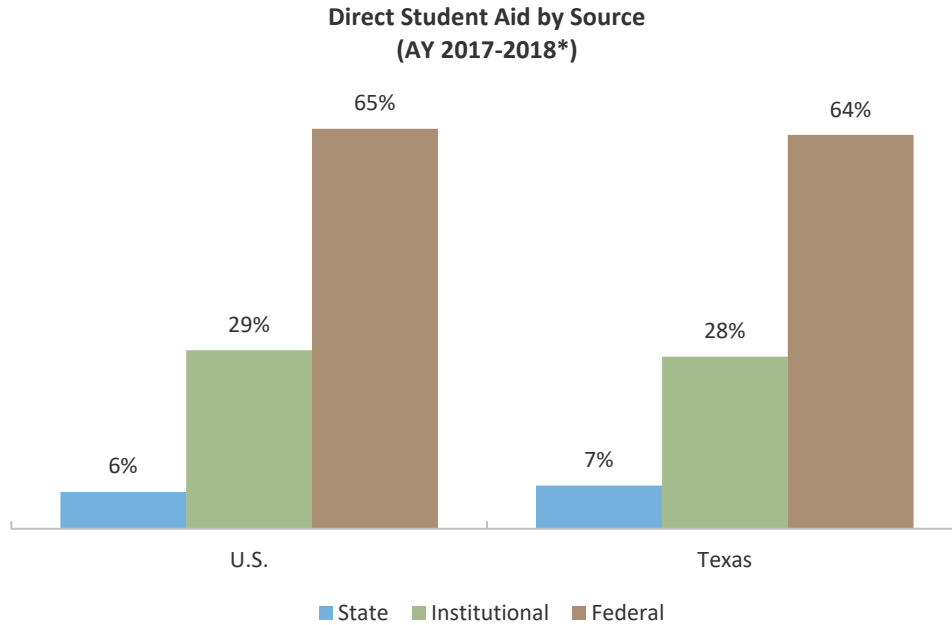
Overall, average tuition at public four-year institutions nationwide increased 37 percent between 2008 and 2018. Texas had one of the smaller increases in tuition over that time period among the largest six states with a 30 percent increase.

Average Tuition and Fees at a Texas Public Four-Year University as a Percentage of Texas Median Household Income, by Race (2017)



Average tuition and fees at Texas public four-year universities make up about 16 percent of the median Texas household income, but this varies by race. Tuition and fees made up about 11 percent of the median income of Asian-American students and 13 percent of White students, but 20 percent and 21 percent of Hispanic students and African-American students, respectively.

Two-Thirds of Student Aid Comes from the Federal Government



College students receive financial aid mainly from three sources: the federal government, the state government, and the colleges and universities they attend (“institutional” aid). Of these three, the federal government’s contribution is by far the largest for most students. Nationally and in Texas, the federal government provided about two-thirds of the generally available direct financial aid* for undergraduate and graduate students in Award Year (AY) 2017–2018.

The state government and institutions in Texas and on average across the U.S. provided a similar percentage of the available aid to students in AY 2017–2018.**

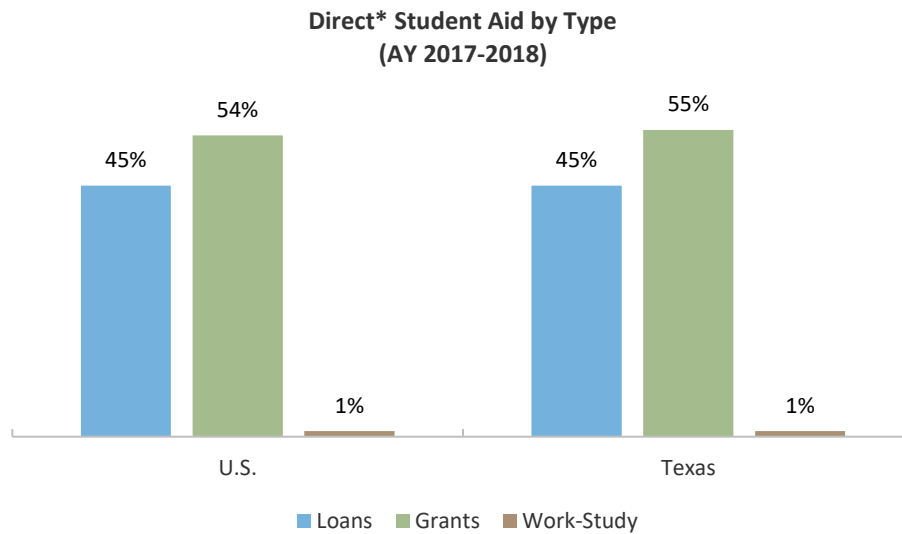
Students may also receive tuition exemptions or waivers from their institutions. This type of aid is not included in the data in the chart due to data unavailability at the national level.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations, plus institutional grants.

**The State of Texas, like other state governments, also supports public institutions through direct appropriations and tuition waivers.

Sources: Aid in Texas: Texas Higher Education Coordinating Board, Report on Student Financial Aid in Texas Higher Education, Fiscal Year 2018 (<http://reportcenter.theccb.state.tx.us/reports/data/report-on-student-financial-aid-in-texas-higher-education-for-fy-2018/>); Aid in the U.S.: The College Board. *Trends in Student Aid 2019* (<http://trends.collegeboard.org/>).

Nearly Half of Aid is in the Form of Loans



In Texas and nationally, about 45 percent of student aid has been in the form of loans and a little over half of the aid came from grants, including state and institutional grants.* Most student loans in Texas and nationwide are Federal Direct Loans.

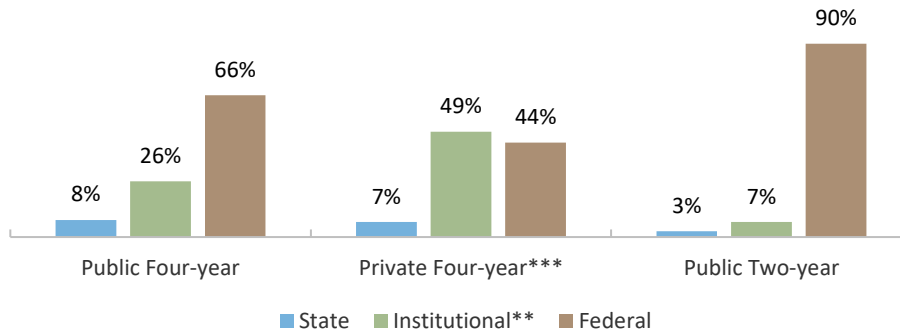
One percent of student aid in Texas and nationally comes from work-study dollars. The Federal Work-Study Program provides part-time jobs to students with financial need. Whether on campus or off campus, the program encourages employment related to the student's course of study whenever possible.

Students may also receive tuition exemptions or waivers from their institutions. This type of aid is not included in the data in the chart due to data unavailability at the national level.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations (including both FFELP and FDLP loans), plus institutional grants.

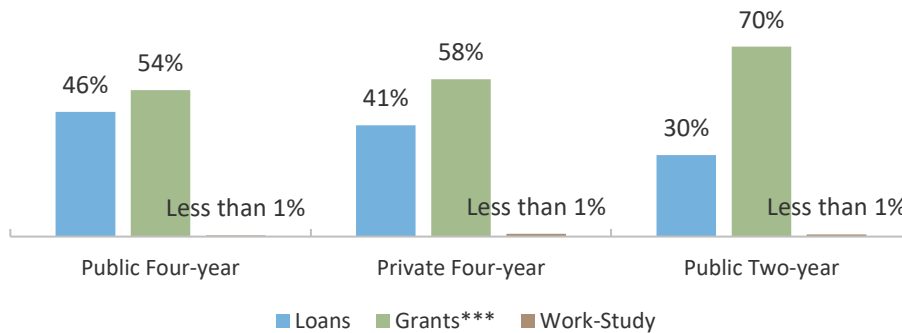
Texas Public Institution Students Are Most Heavily Dependent on Federal Student Aid

Direct Student Aid by Source in Texas, by Sector
(AY 2017-2018*)



Students enrolled in the Texas public two-year sector are the most dependent on the federal government for their financial aid, followed by students in the public four-year sector. Students in the public four-year sector receive more state support, proportionally, than those in the two-year sector.

Direct Student Aid From All Sources by Type in Texas, by Sector
(AY 2017-2018*)



Direct student aid in all sectors in Texas is more likely to be grants than loans. Grant aid made up a little more than half of the aid dollars in the public and private, not-for-profit four-year sectors, and 70 percent of the aid in the public two-year sector. In all sectors, work-study aid encompasses less than one percent of total student aid.

* Direct student aid includes aid that is generally available, goes directly to students, and derives from state and federal appropriations (including both FFELP and FDLP loans), plus institutional grants. Comparable aid data for the private for-profit (proprietary) sector is unavailable. Totals may not add to 100 percent due to rounding.

** Tuition exemptions and waivers are included in institutional aid for the public sectors.

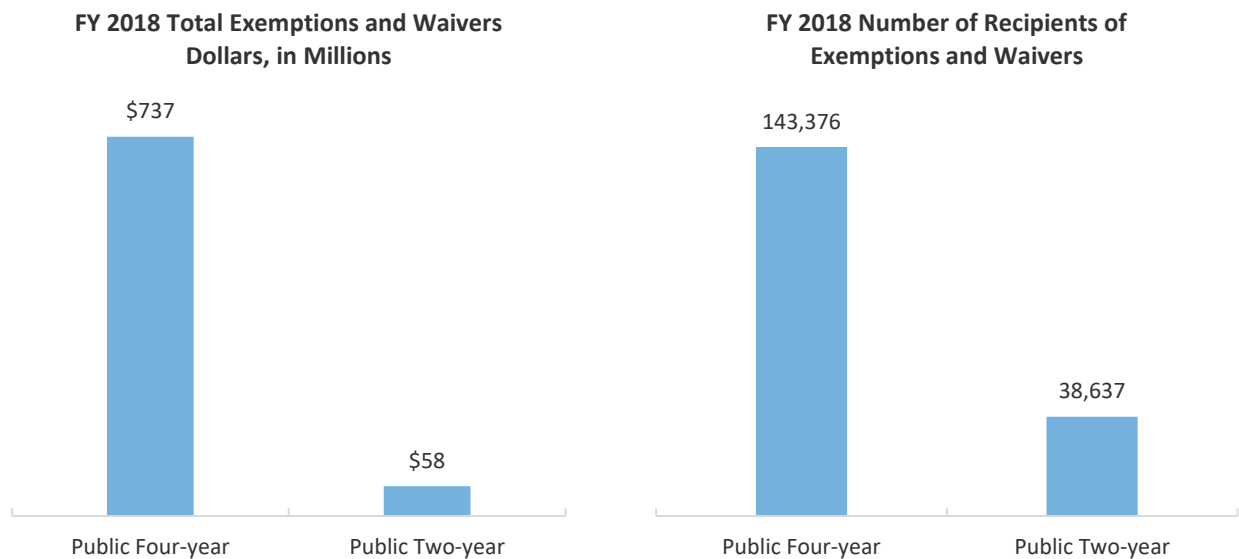
*** Data on tuition exemptions and waivers is included in the Grants category.

Students at Public Institutions in Texas Benefited from \$795 Million in Exemptions and Waivers

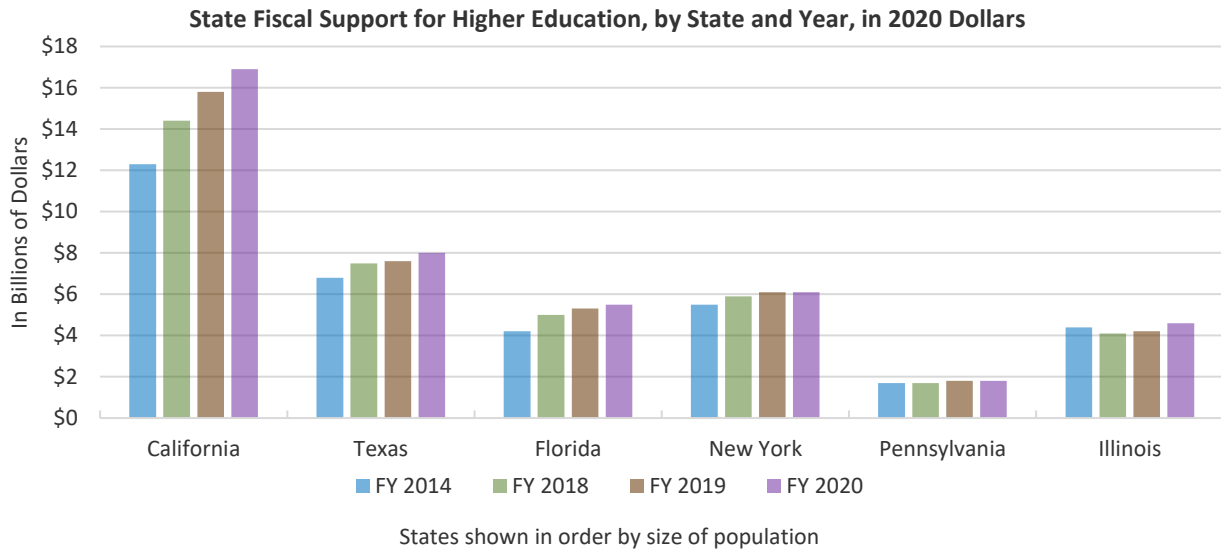
There are 30 mandatory tuition exemption and waiver programs in Texas that public institutions are required to offer to eligible students. Another 24 optional exemption and waiver programs are available to institutions. Students who are eligible for an exemption or waiver will see their billing adjusted accordingly, and the school will absorb the waived or exempted portion of expenses as foregone revenue. The programs may have financial need and/or merit components for initial eligibility as well as for continuing awards.

The largest exemption program in fiscal year (FY) 2017 was the Hazlewood Exemption, a mandatory exemption program for veterans and their families, followed by exemptions for high school students enrolled in dual credit programs. The largest waiver programs were for merit-based scholarships for students and mandatory waivers for teaching or research assistants.

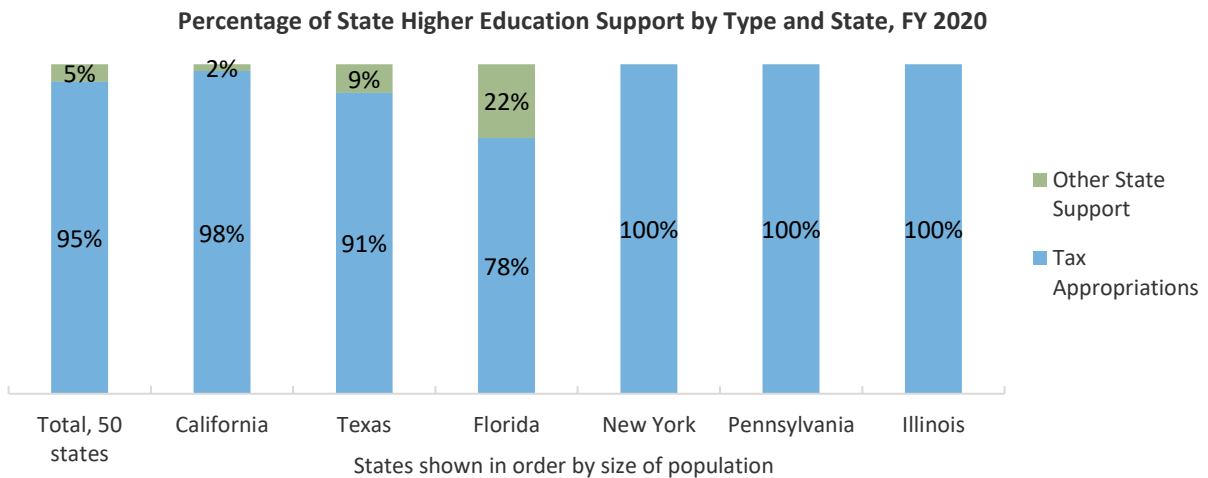
Although a higher number of students at community colleges benefited from exemption and waiver programs compared to university students, the proportion of dollars exempted or waived was much higher among university students than community college students due to higher tuition costs at universities.



States Have Increased Support for Higher Education Over the Past Five Years

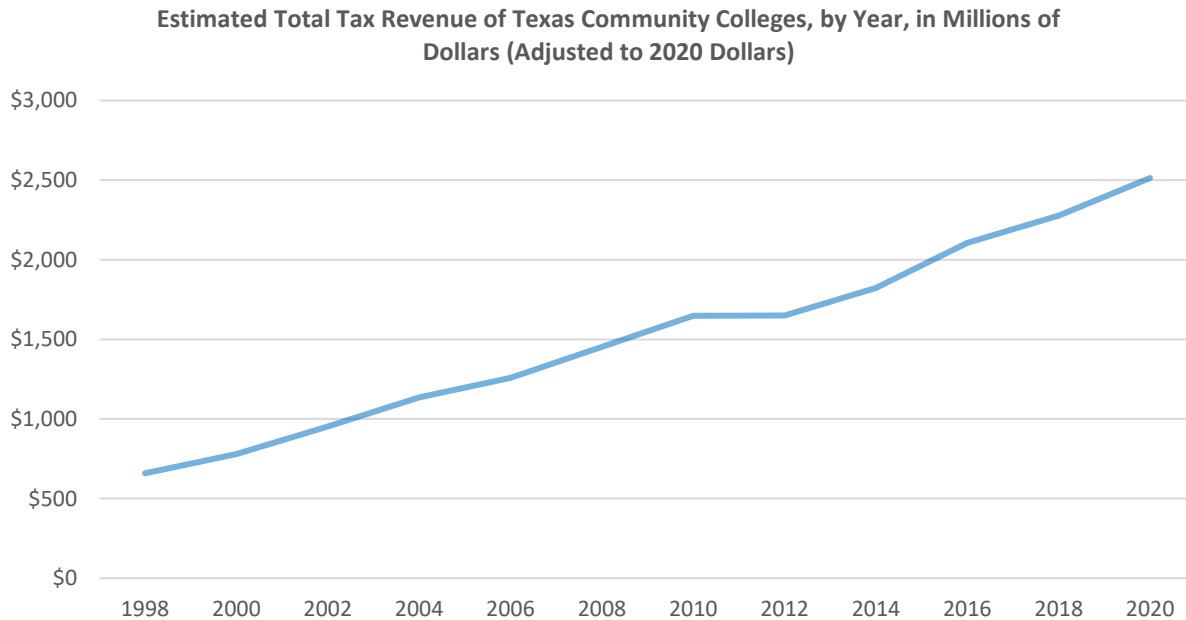


Nationally, state support for higher education has increased by about 12 percent over the past six years, from \$81.3 billion in fiscal year (FY) 2014 (inflation adjusted to 2020 dollars) to \$96.6 billion in FY 2020. Several of the most populous states also saw large increases like this over that same time period, including a 17 percent increase in Texas.



Most states allocate additional state support to higher education beyond tax appropriations. Sources for the additional state support are numerous and could include things like lottery monies, oil/mineral extraction fees on certain land, and interest on state-funded endowments. Three of the six most populous states did not provide additional state support outside of tax appropriations. About nine percent of state support for higher education in Texas comes from sources other than tax appropriations, similar to the national average of five percent.

Community College Total Tax Revenue Has Increased Over Time

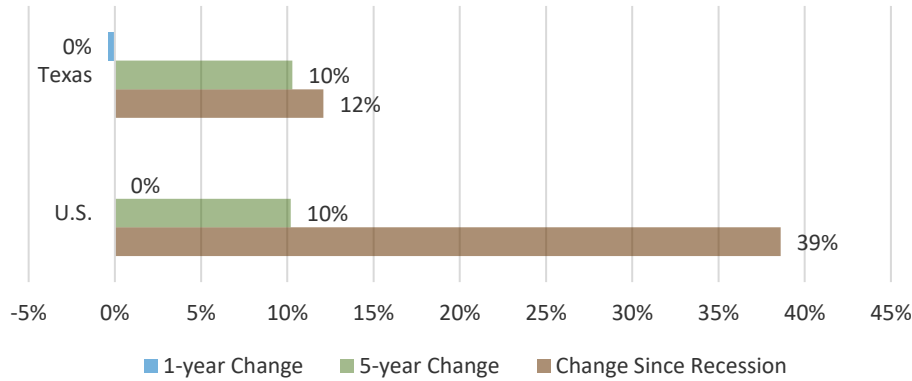


The estimated total tax revenue for all community colleges in Texas was just over \$2.5 billion in 2020. The total tax revenue has increased nearly every year over the past two decades, making up an increasing share of overall community college revenue.

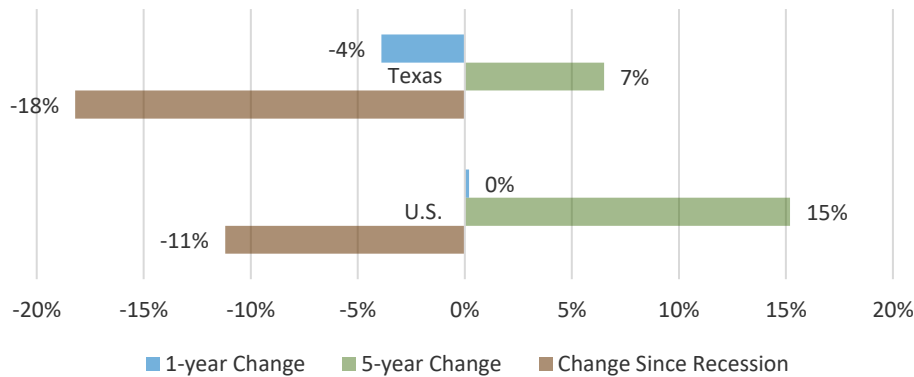
Note: Some community college districts have a mandatory tax rate freeze for certain citizens. The above figures are estimates based on projected tax rates and district valuation, not the actual amount collected by the district.

State Educational Appropriations Are Still Below Pre-Recession Levels

Percent Change in Public Higher Education Net Tuition Revenue Per Full-Time Equivalent Student (Constant Adjusted 2018 Dollars)

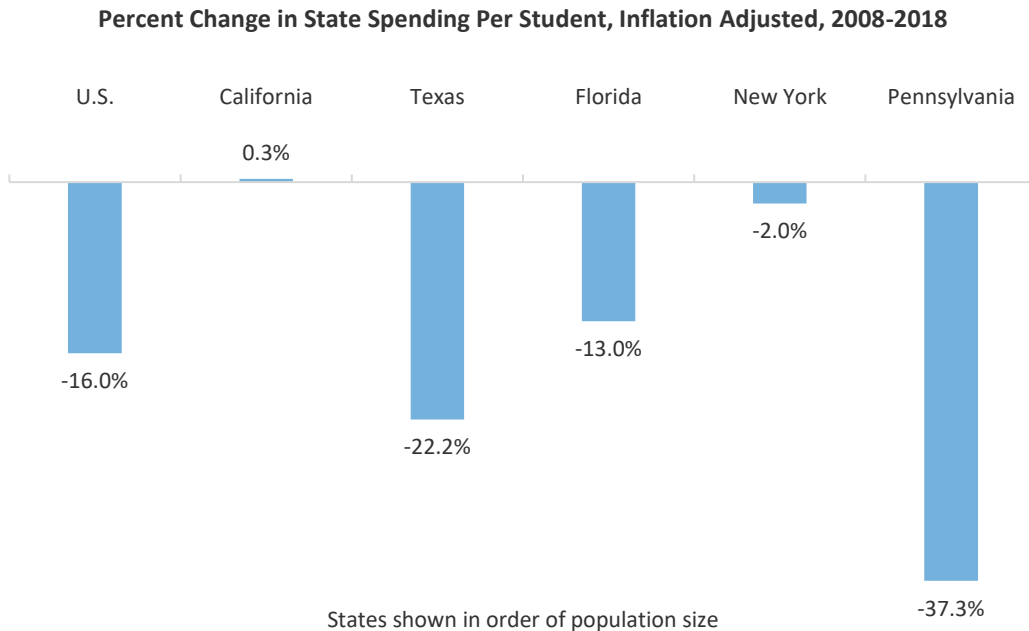


Percent Change in Educational Appropriations Per Full-Time Equivalent Student (Constant Adjusted 2018 Dollars)



Texas and the U.S. have seen an increase in tuition revenue over since the recession, with Texas experiencing a 12 percent increase and the U.S. experiencing a 39 percent increase during that time period. Changes in enrollments, such as higher percentages of students in schools with lower or higher tuition rates, as well as changes in tuition rates may impact these percentages. Both Texas and the U.S. have seen positive changes in educational appropriations over the past five years, but both are still below pre-recession appropriation levels.

State Spending Per Student is 22 Percent Lower in Texas Than It Was 10 Years Ago



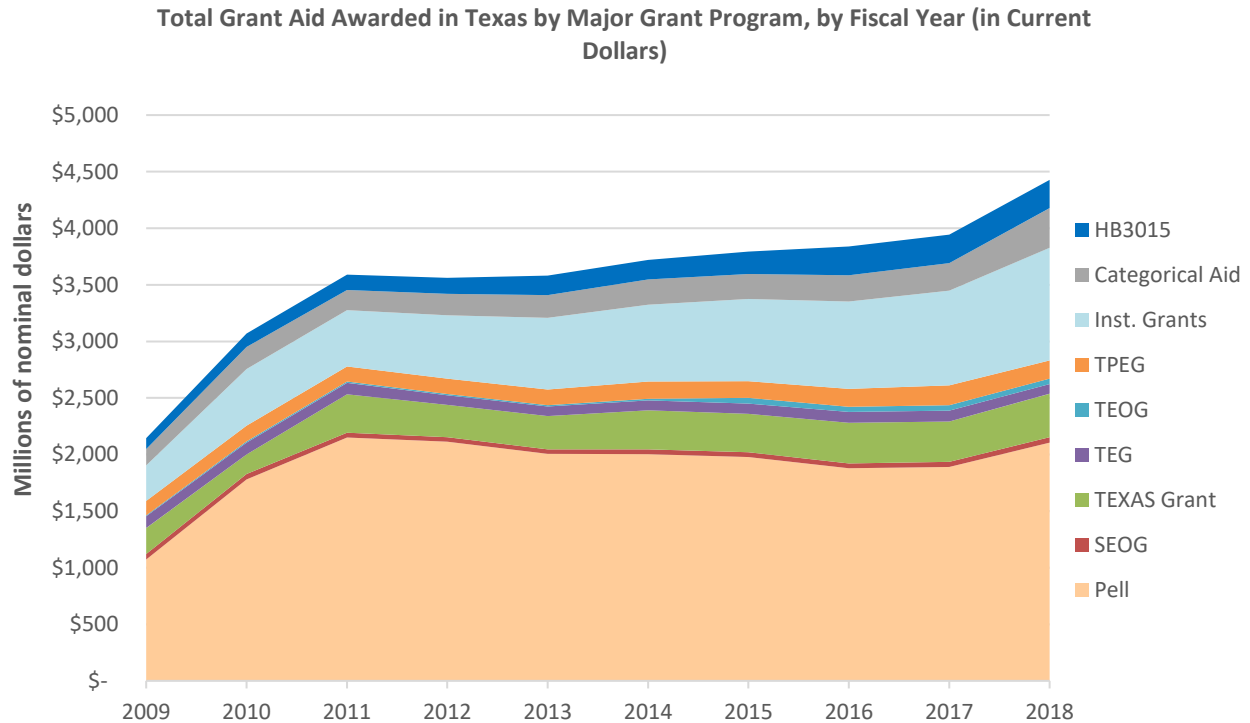
State spending per student has fallen nationwide by about 16 percent since 2008. Among the six largest states*, Texas had one of the largest drops in state spending per student, at 22 percent. California was one of only four states to have a positive change in state spending per student between 2008 and 2016.

* Illinois, the sixth largest state, is not included because of the unavailability of the data needed to make valid comparisons.

SECTION 5

Grant Aid and Net Price in Texas

The Federal Pell Grant is the Largest Source of Grant Aid in Texas



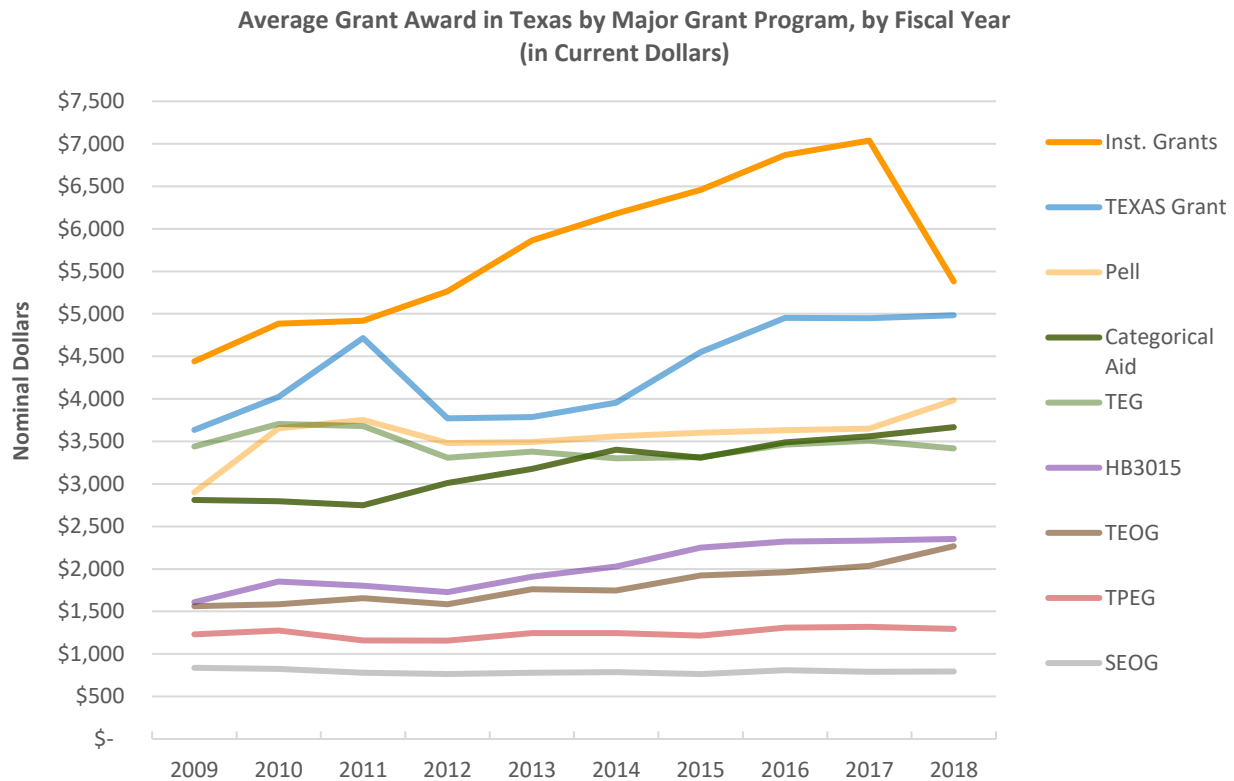
*Amounts for state aid programs are reported by fiscal year, whereas Pell and SEOG are reported by award year (see Glossary)

The federal Pell Grant Program is the largest source of grant aid in Texas, awarding about 528,000 undergraduate students more than \$2.1 billion in award year (AY) 2017-2018. Combined with the Federal Educational Opportunity Grant (SEOG), the federal government provided about half of the grant dollars in Texas.

The four largest state grant programs in Texas provided about 15 percent of the grant dollars in Texas in AY 2017-2018. The Towards EXcellence, Access, and Success (TEXAS) Grant is the largest of the state grant programs, disbursing over \$383 million in AY 2016-2017. TEXAS Grants are available to baccalaureate students who meet a variety of financial and academic criteria, with priority consideration given to students who meet additional academic criteria and a priority filing deadline. The Texas Educational Opportunity Grant (TEOG) serves financially needy students at public two-year colleges, the Tuition Equalization Grant (TEG) is available to financially needy students at private, non-profit institutions, and the Texas Public Educational Opportunity Grant (TPEG) is awarded to needy public college and university students out of tuition set-asides.

Aid issued under HB 3015, which requires institutions to “set aside” at least 15 percent of all tuition charges exceeding \$46 per semester credit hour (SCH) for financial aid to needy resident students, and institutional aid made up more than one quarter of grant aid dollars in Texas in AY 2017-2018. Almost \$250 million in HB 3015 grants were awarded to about 106,000 students, and about \$996 million in institutional grants were awarded to about 185,000 students in AY 2017-2018.

Institutional Grants Have Highest Average Award

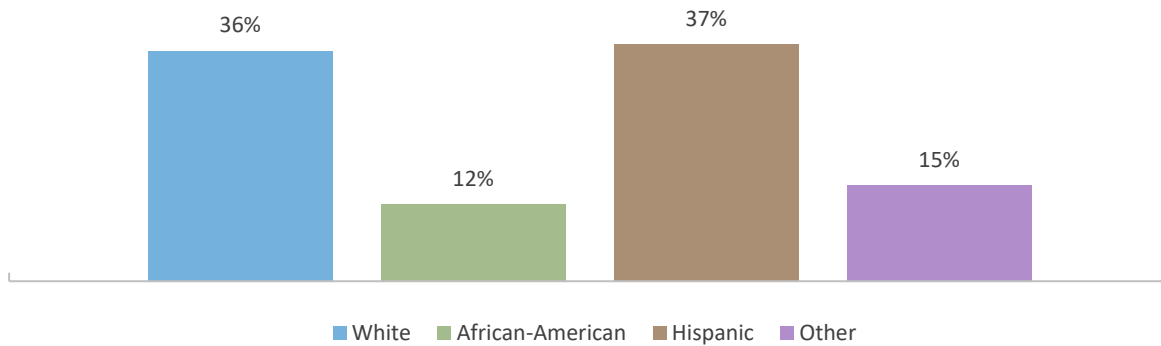


The largest average grant award in Texas in fiscal year (FY) 2017-2018 (referenced as 2018 in the chart) was for institutional grants at \$5,381, followed by the Towards EXcellence, Access, and Success (TEXAS) grant at \$4,948. The average institutional grant dropped sharply in 2018 after increasing steadily for years. The TEXAS grant has generally increased over the years, but has held fairly level for the last three years. The other grant programs have mostly been level or seen incremental increases over the last ten years.

The average Pell grant increased nine percent, from \$3,651 in AY 2016-2017 to \$3,984 in AY 2017-2018. The maximum Pell grant for AY 2015-2016 was \$5,775 and increased to \$5,920 for AY 2017-2018. This \$145 increase over the last two years is based on the Student Aid and Fiscal Responsibility Act (SAFRA), which provides for automatic changes to the maximum Pell grant based on changes in the Consumer Price Index (CPI), a common measure of inflation.

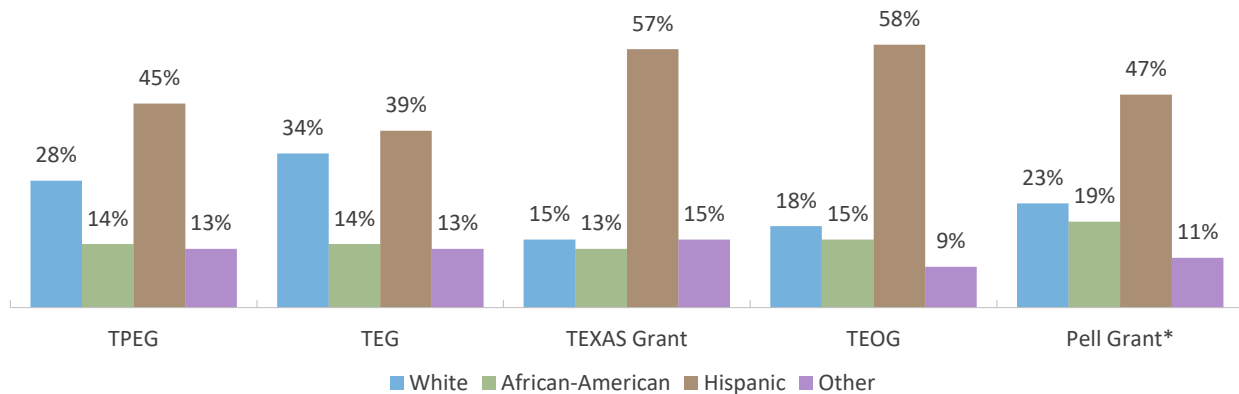
Grant Recipients in Texas Are Racially/Ethnically Diverse

Fall 2017 Enrollment in Texas Higher Education, by Ethnicity



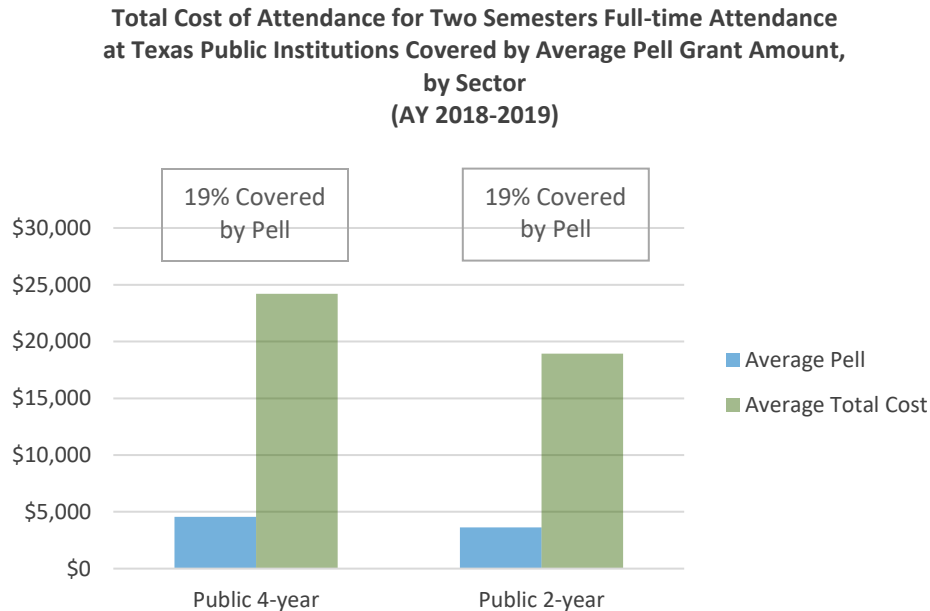
About 73 percent of Texas Educational Opportunity Grant (TEOG) and 70 percent of Toward EXcellence, Access, and Success (TEXAS) Grant recipients are either Hispanic or African-American. The Texas Public Educational Grant (TPEG) and Tuition Equalization Grant (TEG) serve somewhat fewer Hispanic and African-American students — 59 percent and 53 percent, respectively. The percentage of TPEG and TEG recipients who are Hispanic or African-American students has risen slowly over time, likely reflecting the steadily rising proportion of these students enrolled at public and private four-year colleges and universities.

Fiscal Year 2017-2018 Grant Program Recipients by Ethnicity



*Pell grant data did not disaggregate "Asian/Pacific Islander" from "Other", so both are included in "Other".

The Federal Pell Grant Covers Less Than One-fifth of Average Public Four-year Costs

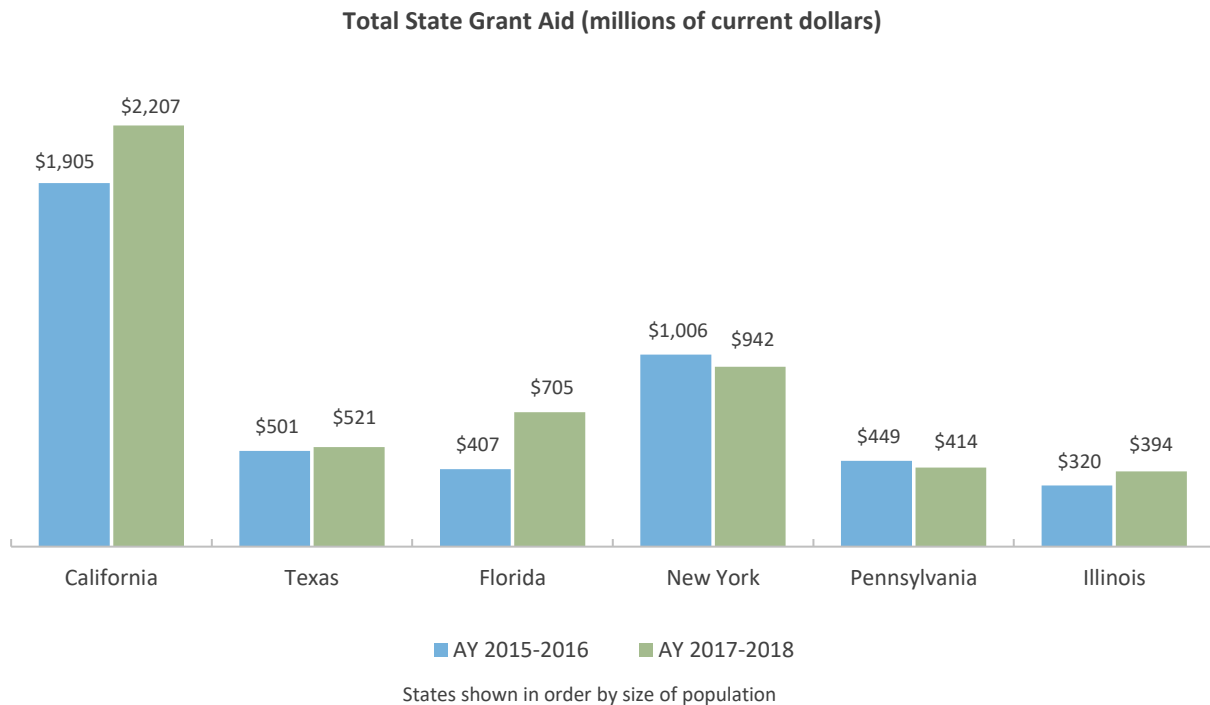


The buying power of the federal Pell Grant, the largest grant program in the U.S. and in Texas, has declined over the last three decades. Designed to be the foundation of need-based grant aid, only undergraduates with significant financial need receive the Pell grant; however, in Award Year (AY) 2018–2019, the average Pell grant in Texas covered only 19 percent of the average cost of attendance (COA; tuition, fees, room, board, and other basic expenses) for eligible undergraduates at public four-year universities in Texas, and the same percentage of the average COA at public two-year colleges in Texas. While the average Pell grant tends to increase from one year to the next, these increases generally fail to keep pace with increases in the cost of college.

The maximum Pell grant for AY 2015–2016 was \$5,775 and increased to \$5,920 for AY 2017-2018. This \$145 increase over the last two years is based on the Student Aid and Fiscal Responsibility Act (SAFRA), which provides for automatic changes to the maximum Pell grant based on changes in the Consumer Price Index (CPI), a common measure of inflation. Pell grant awards are determined according to a schedule that takes both COA and expected family contribution (EFC) into account. Pell grant awards increase for higher COAs and lower EFCs and decrease for lower COAs and higher EFCs. There is also a set maximum EFC beyond which a student cannot qualify for a Pell grant regardless of the COA; for AY 2018-2019, the maximum eligible EFC is \$5,328.

Sources: Cost of attendance: U.S. Department of Education, National Center for Education Statistics, IPEDS Data Center (Author's calculation: Total cost of full-time undergraduate attendance weighted by FTE in-state undergraduate enrollment) (<http://nces.ed.gov/ipeds/datacenter/>); Pell: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<http://studentaid.ed.gov/about/data-center/student/title-iv>); Maximum Pell: U.S. Department of Education, Federal Student Aid (<https://studentaid.ed.gov/sa/types/grants-scholarships/pell>).

California, New York, and Florida Top Texas in State Grants



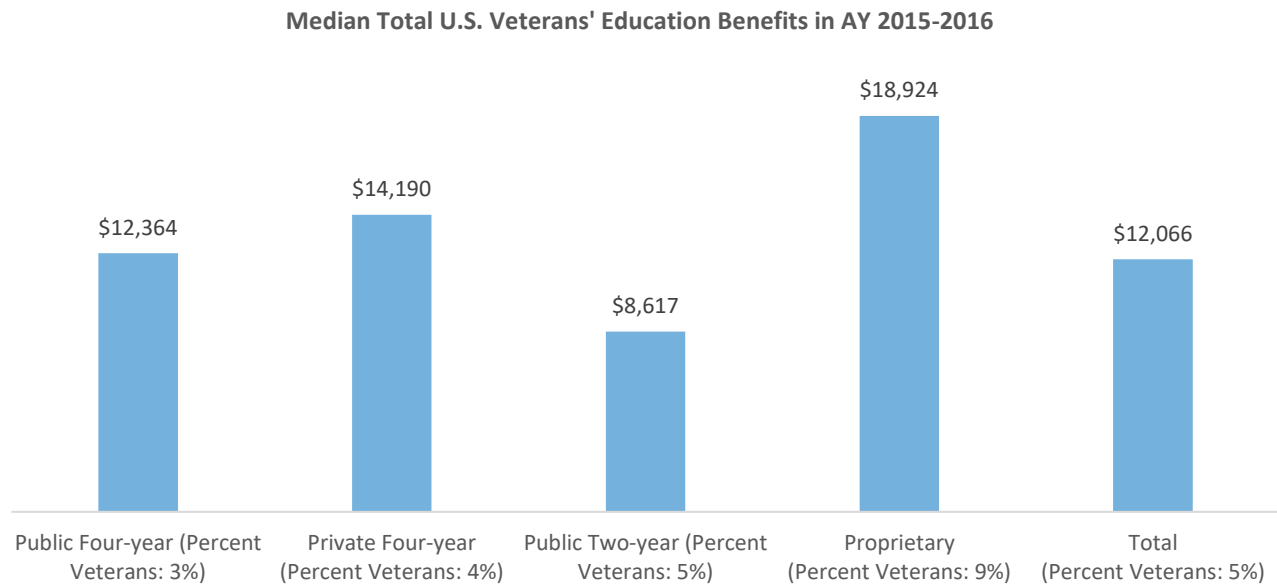
In Award Year (AY) 1998–1999, Texas spent only \$66 million in state grant aid, the lowest among the six most populous states despite having the second largest population of postsecondary students. State grant aid began to increase significantly with the establishment of the Toward EXcellence Access, and Success (TEXAS) Grant Program in 1999. In AY 2017–2018, Texas spent about \$521 million on grant aid for postsecondary students, less than a quarter of what was spent by California and about three-quarters of what was spent by New York.

State grant aid may be based on financial need, academic merit, a combination of need and merit, or other factors, like veteran status. In Texas, all grant aid is either primarily need-based or has a need-based component. This includes aid that is funded not from legislative appropriations but from institutional revenues, such as the Texas Public Educational Grant (TPEG). This type of aid is often viewed as a form of “tuition discounting”, in which higher prices paid by more affluent students allow students with more financial need to pay less. TPEG, Student Deposit Scholarships, and other such tuition set-aside programs are not included in the state grant aid totals shown above. Tuition exemptions and waivers are also not included in the totals above as they are not considered state grant aid.

Although primarily need-based, maintaining the TEXAS Grant also involves academic requirements. To remain eligible for the grant, the student must maintain a grade point average (GPA) of at least 2.5 on a 4.0 scale, meet Satisfactory Academic Progress (SAP) requirements, and complete at least 24 credit hours per award year.

As funds are generally inadequate to award full grants to all eligible students, initial year TEXAS Grants are awarded on a priority basis. Eligible students receive priority consideration if they meet a priority filing deadline and at least two of four conditions related to high school academic performance (such as having graduated in the top one-third of their high school graduating class or completing at least one math course beyond Algebra II).

U.S. Undergraduate Veterans Received About \$12,000 in Median Total Veterans' Education Benefits



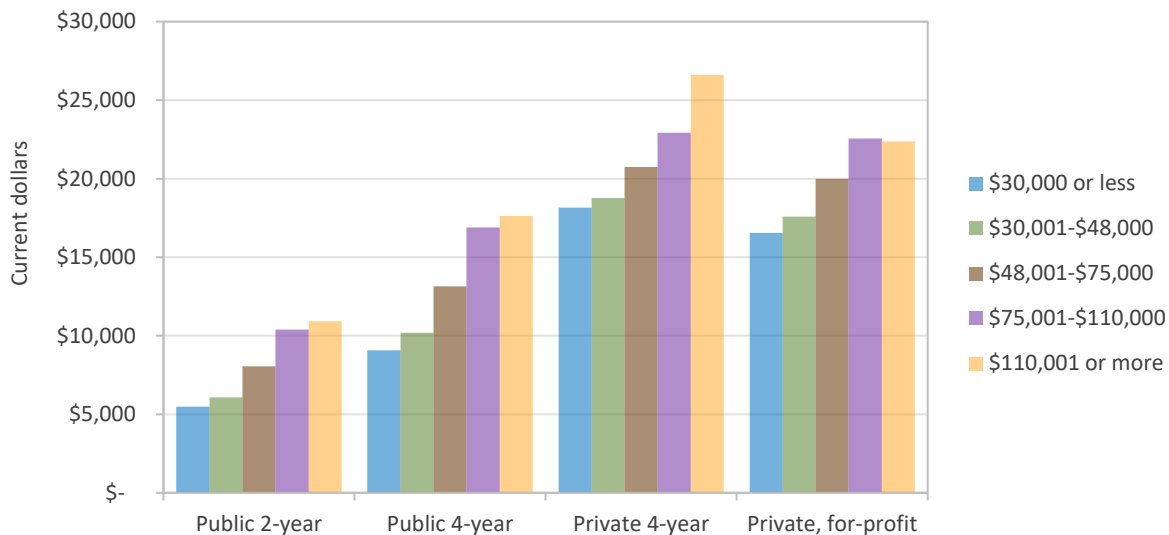
Veterans comprised about 5 percent of all enrolled undergraduates nationwide in academic year 2015-2016 and received a median of \$12,066 per person in total federal, state, and institutional veterans' education benefits* in that year.

The proprietary sector had the highest proportion of veteran undergraduate students, at nine percent, and the highest median amount of benefits received, at \$18,924. The median individual amount of total veterans' education benefits received was lowest at public two-year institutions, at \$8,617.

*Institutional benefits include the institutional portion of the Yellow Ribbon program benefits. Federal benefits include Department of Defense military tuition grants and include payments made for tuition and fees, housing, books and supplies, work-study, and other educational expenses (as reported by the Veterans Benefits Administration).

Net Price of Attendance for Lowest-Income Public Four-year Undergraduates in Texas Is More Than \$9,000

Average Net Price for Full-time, First-time Undergraduates in Texas by Sector and Income Quintile (AY 2017-2018)



The net price of attendance for a student at an institution of higher education is defined as the student's cost of attendance* minus the total grants and scholarships he or she receives from any sources: in essence, the amount that a student (and/or family) must pay either out of pocket or with student loans. In Award Year (AY) 2017–2018, the average net price of attendance for students with the lowest incomes** was \$5,478 (a decrease of six percent from the previous year) in the public two-year sector, \$9,072 (a decrease of one percent) in the public four-year sector, \$18,165 (an increase of five percent) in the private four-year sector, and \$16,548 (a decrease of 1 percent) in the for-profit sector.

Net price generally rises with income across all four sectors, which likely reflects higher-income students' tendencies to attend higher-cost institutions and pay a larger percentage of their costs out of pocket. Both of these tendencies are likely more notable in the private four-year sector due to the wider variety of prices in that sector.

* Tuition and fees, books and supplies, food and housing, transportation, and other expenses, for a full-time student for nine months. For public institutions, the net price reflects costs for in-state/in-district students.

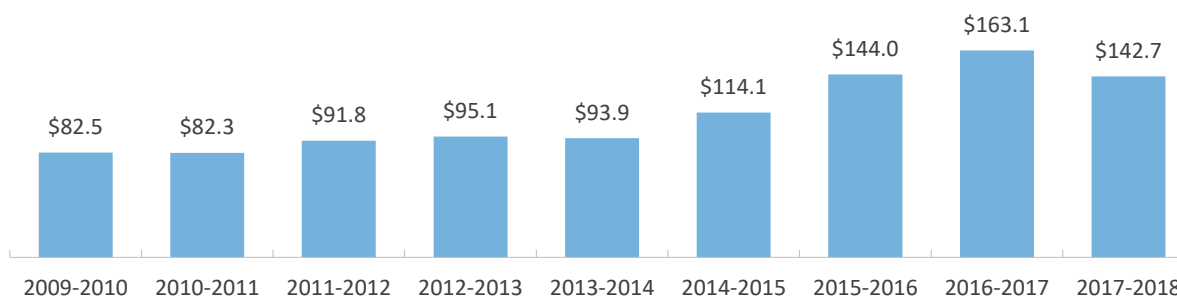
** For dependent students, income represents the student's family income; for independent students, it represents personal income.

SECTION 6

Loans

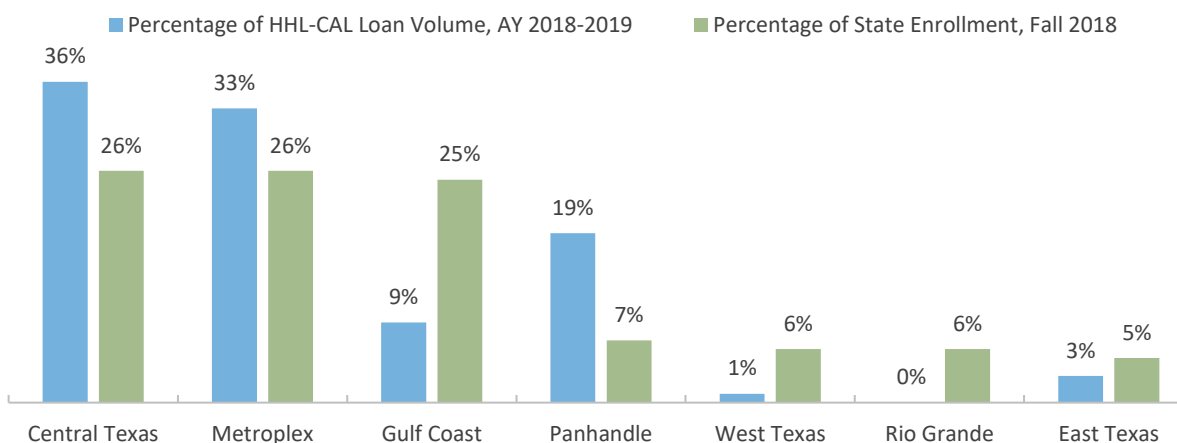
Volume for the Largest State Loan Program, HHL-CAL, Decreases

HHL-CAL Loan Volume by Award Year (in Millions of Dollars)*



The Hinson-Hazlewood College Access Loan (HHL-CAL) is the largest of the loan programs that the State of Texas offers for students. Recipients are not required to demonstrate financial need to receive HHL-CAL loans. A student may borrow up to the cost of attendance at his or her institution, minus any other financial aid he or she is receiving. In AY 2017-2018 HHL-CAL awards totaled \$142.7 million, a 13 percent decrease over the previous year.

HHL-CAL Volume and Enrollment by Region

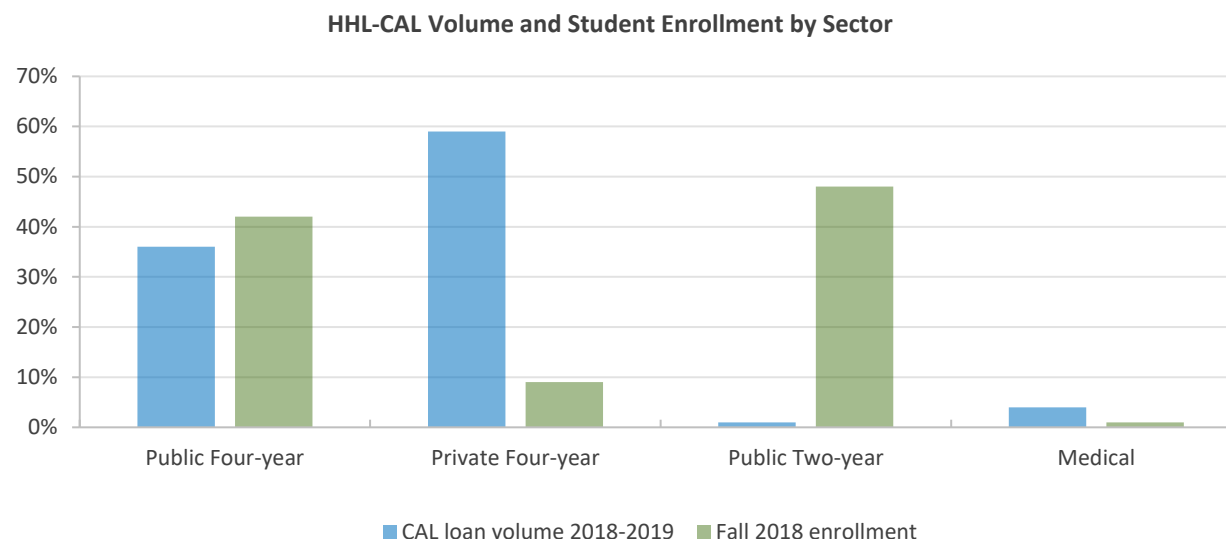


In AY 2018–2019, 36 percent of the HHL-CAL dollars went to students attending schools in the Central Texas region. Although Central Texas comprises only 26 percent of Texas enrollment, it is home to the state’s two flagship universities, the University of Texas at Austin and Texas A&M University. The Metroplex and Panhandle regions also received proportionately more HHL-CAL dollars compared to enrollment. All other regions received a smaller percentage than their share of the state’s enrollment.

* Includes only the amounts reported in the Texas Higher Education Coordinating Board’s Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Source: Loan volume: Texas Higher Education Coordinating Board (THECB), “Financial Aid Database for AY 2017–2018,” Austin, Texas, 2020 (Unpublished tables); Data on loan terms and loan eligibility: THECB, “College for Texans” Website (<http://www.collegeforalltexans.com/apps/financialaid/tofa.cfm?Kind=L>); Enrollment: THECB, Texas Higher Education Data (<http://www.txhighereddata.org/>).

HHL-CAL Loans Go Predominantly to Private Four-year Schools



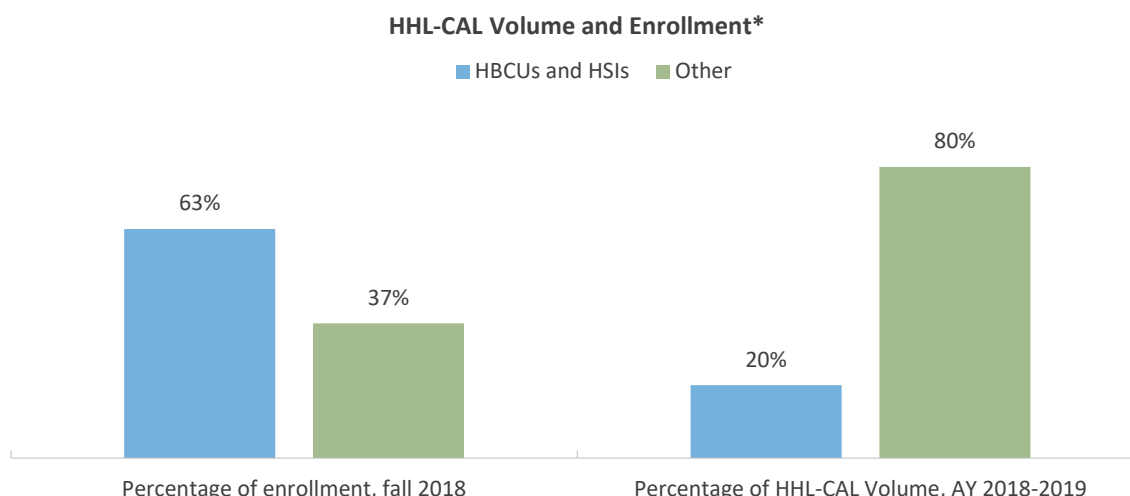
Most students in Texas attend public colleges and universities. The proportion of Hinson-Hazlewood-College Access Loan (HHL-CAL) volume by school type does not parallel student enrollment.* In Award Year (AY) 1996–1997, 28 percent of HHL-CAL loan volume went to students in public universities and 68 percent went to students in private universities, where costs typically are higher. The gap between the percentages narrowed throughout the 1990s. By AY 2002–2003, the percentage of HHL-CAL loan volume going to students in public institutions was greater than that going to students attending private institutions. About 51 percent of all HHL-CAL volume in AY 2007–2008 went to students in public four-year universities and 45 percent went to students in private four-year universities.

However, this trend has reversed in recent years. In AY 2018–2019, 36 percent of HHL-CAL dollars went to students attending public four-year institutions, and this sector accounted for 42 percent of student enrollment. Private four-year students accounted for 9 percent of enrollment in Texas postsecondary institutions, but 59 percent of HHL-CAL volume. In contrast, public two-year students accounted for 48 percent of enrollment, but only 1 percent of HHL-CAL volume. The lower cost of attendance at public two-year schools compared to four-year schools helps explain the low usage of the loans at these schools.

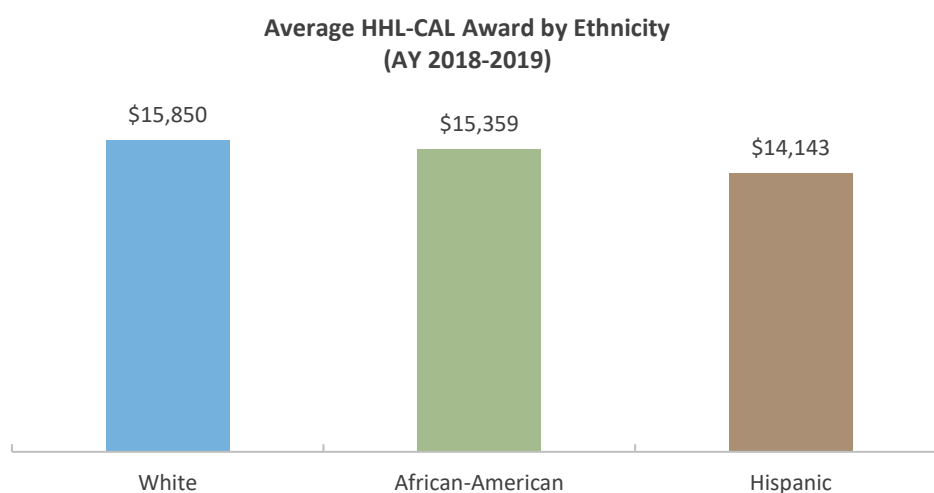
* HHL-CAL volume data for students who attended for-profit institutions are not available.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). “Financial Aid Database, 2017–2018,” Austin, Texas, 2020 (Unpublished tables); Public Enrollment: U.S. Department of Education, National Center for Education Statistics, “Integrated Postsecondary Education Data System (IPEDS) 2019” (<https://nces.ed.gov/ipeds/datacenter>).

HHL-CAL Volume Not Comparable to HBCU and HSI Enrollment



Texas has nine Historically Black Colleges and Universities (HBCUs) and 92 Hispanic-Serving Institutions (HSIs). In AY 2016–2017, HBCUs and HSIs comprised 63 percent of total Texas enrollment and received 20 percent of HHL-CAL dollars.



The average HHL-CAL award differed some across ethnic groups in AY 2018–2019. White students on average borrowed about \$491 more than African-American students and \$1,707 more than Hispanic students.

* Includes only the amounts reported in the Texas Higher Education Coordinating Board’s Financial Aid Database. The Financial Aid Database primarily records aid that was based on financial need, but may include some amounts that were not based on need.

Sources: Loan volume: Texas Higher Education Coordinating Board (THECB). "Financial Aid Database for AY 2018–2019." Austin, Texas, 2018 (Unpublished tables); Enrollment: THECB. Texas Higher Education Data (<http://www.txhighereddata.org/>). HBCUs: U.S. Department of Education, *Office for Civil Rights* database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, unpublished report (special request).

Federal Loan Volume Concentrated in Rural Areas, More Widely Distributed in Urban Areas

Top Schools by Region (AY 2018–2019)

Panhandle*

| | |
|--|---------------|
| 1. Texas Tech University | \$155 Million |
| 2. Texas Tech University Health Sciences Ctr | \$74 |
| 3. West Texas A&M University | \$42 |
| 4. Abilene Christian University | \$40 |
| 5. Midwestern State University | \$31 |

* Top 5 Schools Account for 76% of Volume

Metroplex*

| | |
|-------------------------------------|---------------|
| 1. University of Texas at Arlington | \$198 Million |
| 2. University of North Texas | \$191 |
| 3. Southern Methodist University | \$76 |
| 4. Texas Woman's University | \$74 |
| 5. University of Texas at Dallas | \$73 |

* Top 5 Schools Account for 48% of Volume

West*

| | |
|------------------------------------|--------------|
| 1. University of Texas at El Paso | \$90 Million |
| 2. Angelo State University | \$34 |
| 3. Vista College | \$29 |
| 4. Southwest University at El Paso | \$18 |
| 5. U of Texas of the Permian Basin | \$18 |

* Top 5 Schools Account for 84% of Volume

East*

| | |
|----------------------------------|--------------|
| 1. Stephen F. Austin State Univ. | \$70 Million |
| 2. University of Texas at Tyler | \$54 |
| 3. Tyler Junior College | \$21 |
| 4. LeTourneau University | \$18 |
| 5. East Texas Baptist University | \$11 |

* Top 5 Schools Account for 75% of Volume

Central*

| | |
|---------------------------------------|---------------|
| 1. Texas A&M University | \$277 Million |
| 2. University of Texas at Austin | \$255 |
| 3. Texas State University | \$205 |
| 4. University of Texas at San Antonio | \$136 |
| 5. Baylor University | \$124 |

* Top 5 Schools Account for 61% of Volume

Gulf Coast*

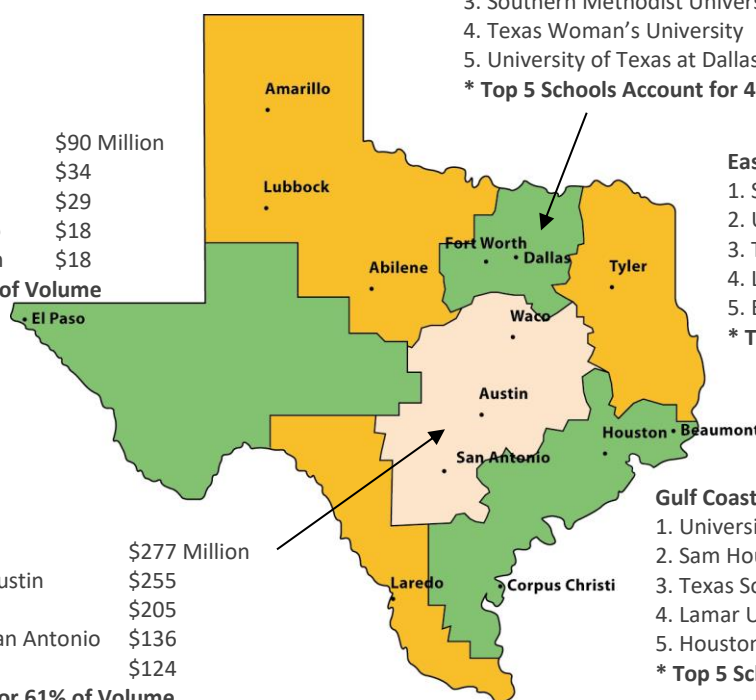
| | |
|---------------------------------|---------------|
| 1. University of Houston | \$176 Million |
| 2. Sam Houston State University | \$121 |
| 3. Texas Southern University | \$106 |
| 4. Lamar University | \$76 |
| 5. Houston Community College | \$75 |

* Top 5 Schools Account for 45% of Volume

Rio Grande*

| | |
|---|--------------|
| 1. University of Texas–Rio Grande Valley | \$79 Million |
| 2. Texas A&M International University | \$23 |
| 3. South Texas Vocational Technical Institute | \$6 |
| 4. Rio Grande Valley College | \$4 |
| 5. Texas Southmost College | \$3 |

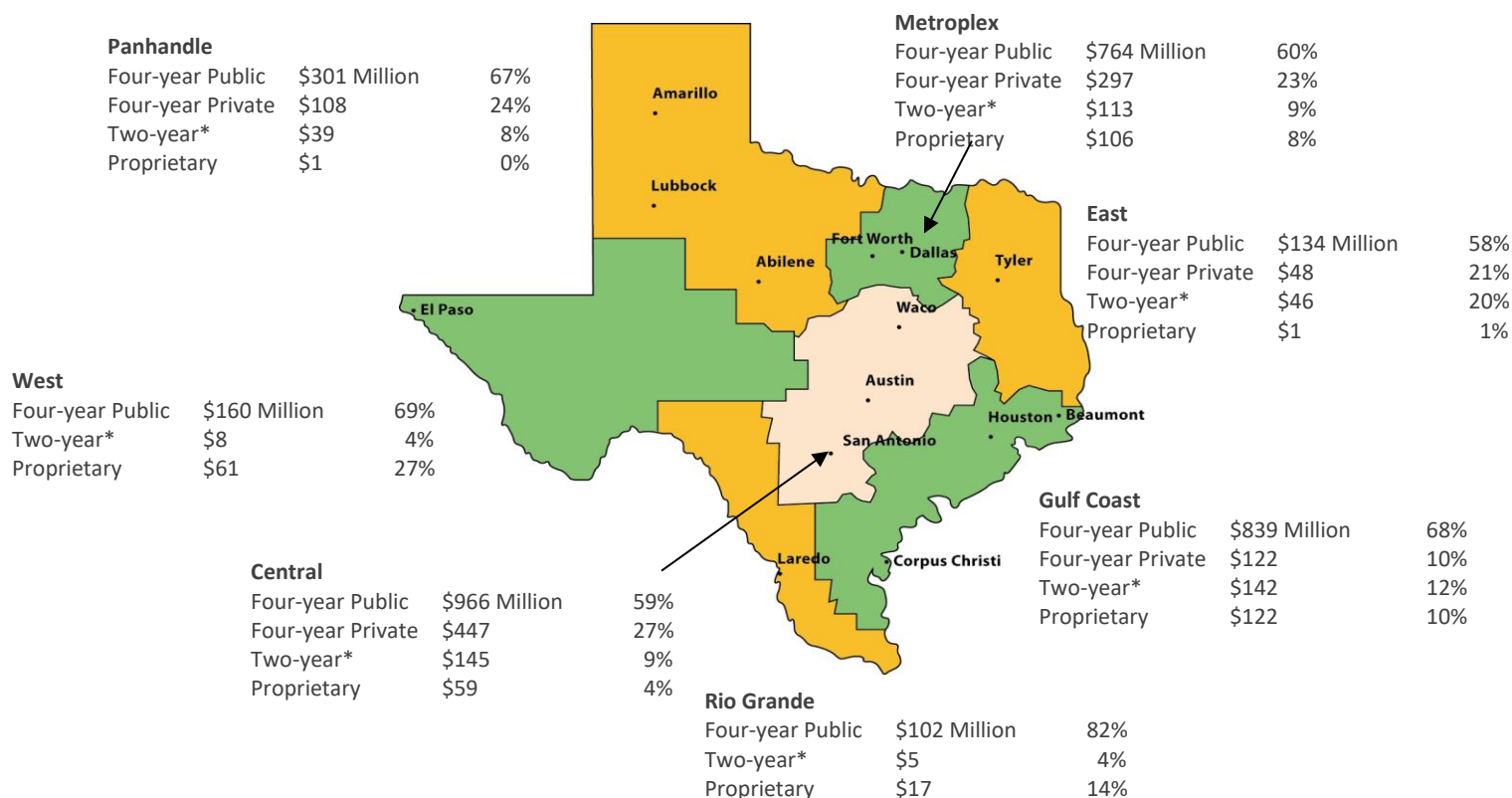
* Top 5 Schools Account for 92% of Volume



In the rural areas of the state, Award Year (AY) 2018–2019 Federal Direct Loan Program (FDLP) volume remains concentrated among a few schools. In regions that contain the state's largest cities, loan volume is more widely distributed. For example, in the Rio Grande region, five schools account for 92 percent of regional loan volume, while in the Gulf Coast region the five schools with the largest loan volume account for less than half of regional volume. This is most likely due to the greater number of school choices that exist in the more urbanized regions of the state.

Four-Year Public Schools Account for Almost Two-Thirds of Federal Loan Volume

Federal Loan Volume by Region and School Type
In Millions of Nominal Dollars
(AY 2018–2019)



Four-year public school volume makes up the largest share of the volume in all regions. Proprietary school volume exceeds two-year* school volume in two regions. In Award Year (AY) 2018–2019, public four-year schools accounted for 63 percent of the state’s Federal Direct Loan Program (FDLP) volume. Four-year private school volume accounted for 20 percent, two-year* school volume accounted for 10 percent, and proprietary school volume accounted for 7 percent of total FDLP volume in Texas.

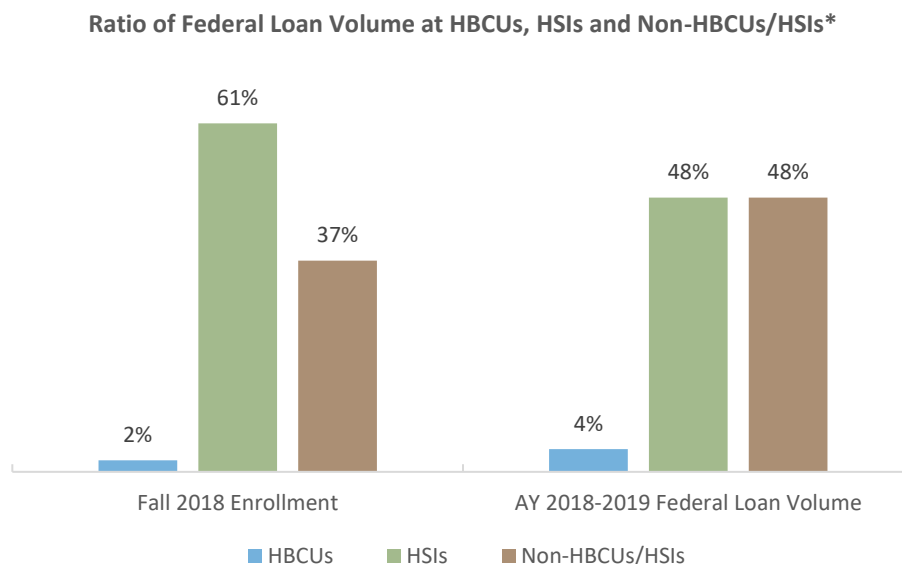
Texas Federal Loan Volume by School Type
AY 2018–2019

| School Type | Amount (in Millions) | % of Amount |
|-------------------|----------------------|-------------|
| Public Four-year | \$3,261 | 63% |
| Private Four-year | \$1,021 | 20% |
| Two-year* | \$498 | 10% |
| Proprietary | \$379 | 7% |

*The two-year category includes both public and private, not-for-profit, and excludes proprietary.

Source: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<https://studentaid.ed.gov/sa/about/data-center/student/title-iv>).

Federal Loan Volume Is Proportionally Less Than Enrollment at HSIs and More Than Enrollment at HBCUs



Texas has nine Historically Black Colleges and Universities (HBCUs) and 92 Hispanic Serving Institutions (HSIs). HBCUs comprised two percent of total Texas enrollment in fall 2018 while generating four percent of Award Year (AY) 2018-2019 Federal Direct Loan Program (FDLP) volume. HSIs made up 61 percent of enrollment but only accounted for 48 percent of federal loan volume.

HBCUs are higher education institutions that were established prior to 1964 with the intention of primarily serving the African-American community, though students of all races and ethnicities are welcome to apply. There are 107 HBCUs nationwide.

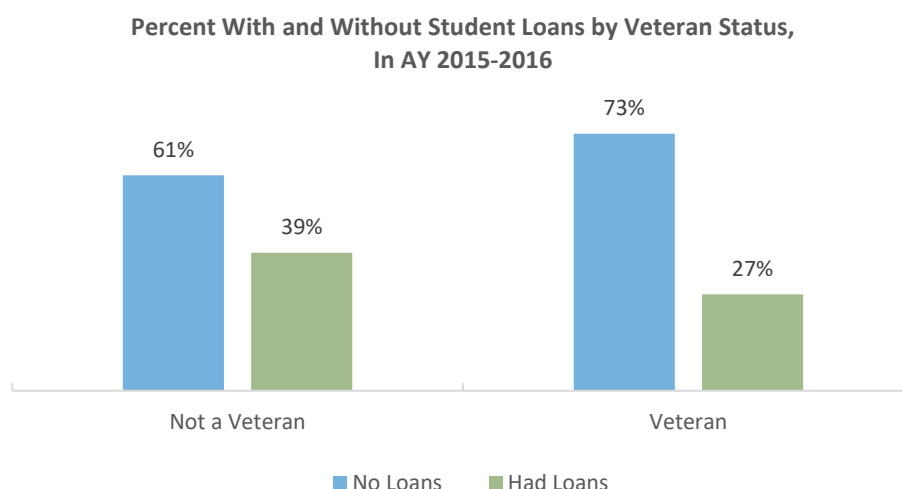
Institutions meeting certain eligibility criteria, such as having at least a 25 percent Hispanic undergraduate enrollment, can apply for federal funding under Title III of the Higher Education Act. This federal program helps HSIs better serve their populations, which often include first generation and low-income students.

*Does not include proprietary schools for volume or enrollment.

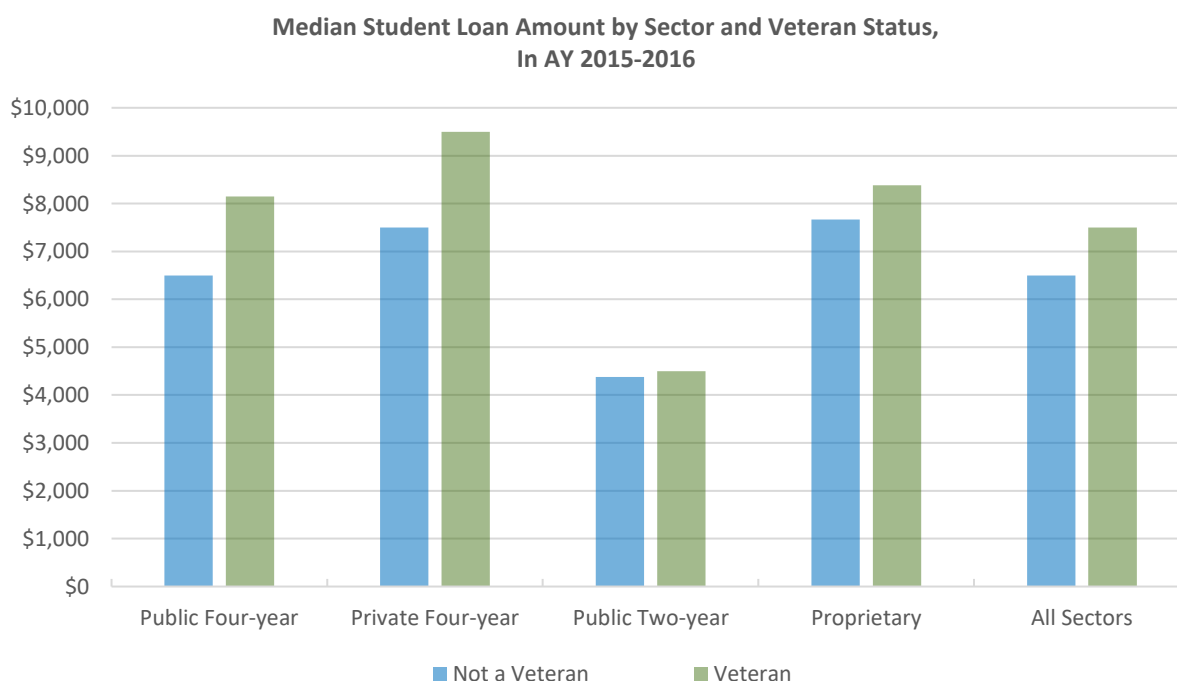
Sources: Enrollment: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2019 (<http://nces.ed.gov/ipeds/>); Loan Volume: U.S. Department of Education, Federal Student Aid Data Center, Programmatic Volume Reports (<https://studentaid.ed.gov/sa/about/data-center/student/title-iv>); HBCUs: U.S. Department of Education, Office for Civil Rights database. "Accredited Postsecondary Minority Institutions" (<http://www.ed.gov/about/offices/list/ocr/edlite-minorityinst.html>); HSIs: U.S. Department of Education, unpublished report (special request).

Veterans Less Likely to Borrow Student Loans but Borrow Larger Amounts Compared to Non-Veterans

Undergraduate students who were veterans were less likely to borrow student loans compared to undergraduates who were not veterans, with 27 percent of veterans borrowing compared to 39 percent of non-veterans.

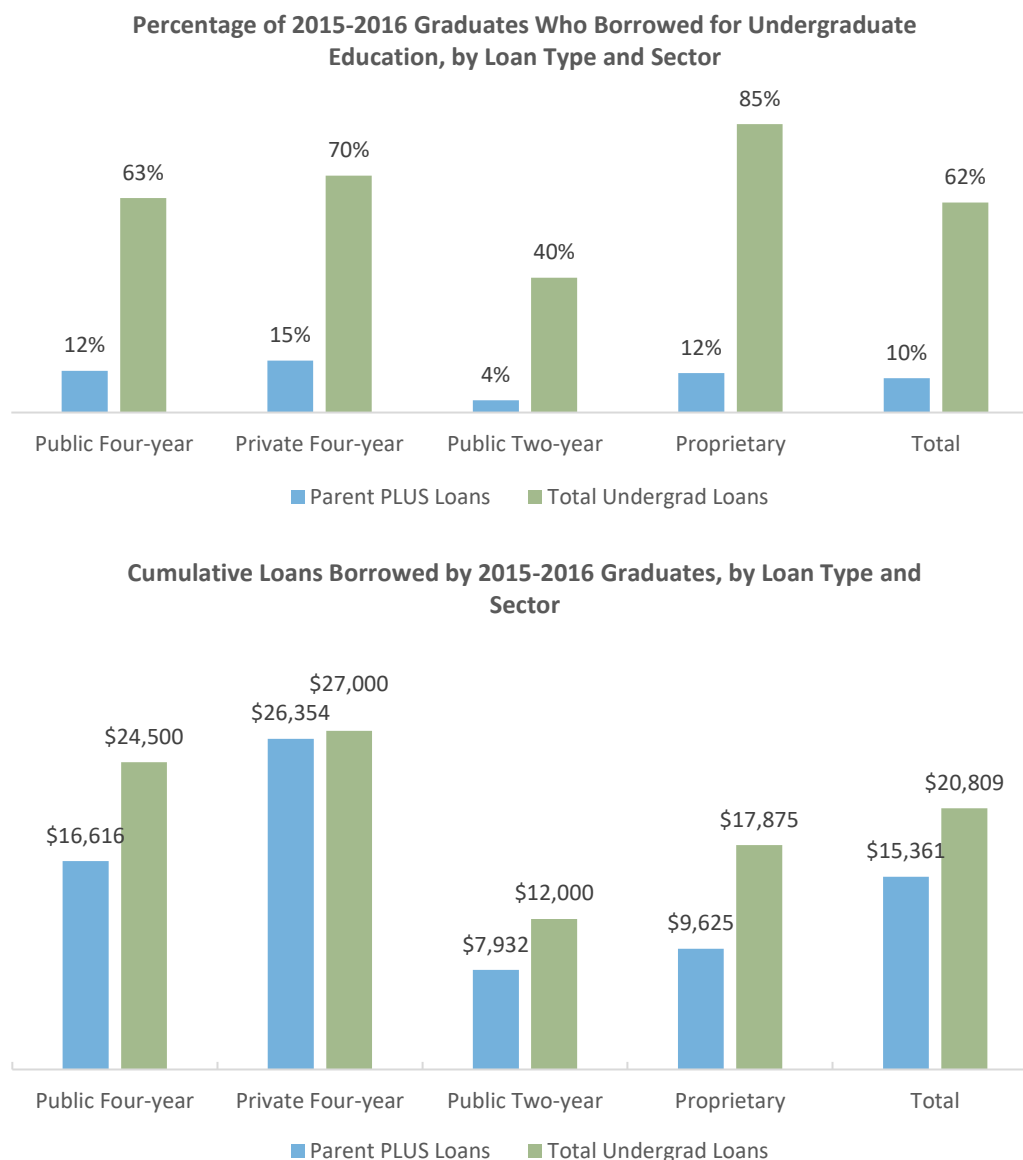


Although they were less likely to be borrowers, veteran undergraduates borrowed larger amounts than non-veterans when they did borrow. The difference between veterans and non-veterans was particularly pronounced in the four-year sectors.



Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

Undergraduates Nationwide Borrowed About \$21,000 For Their Education



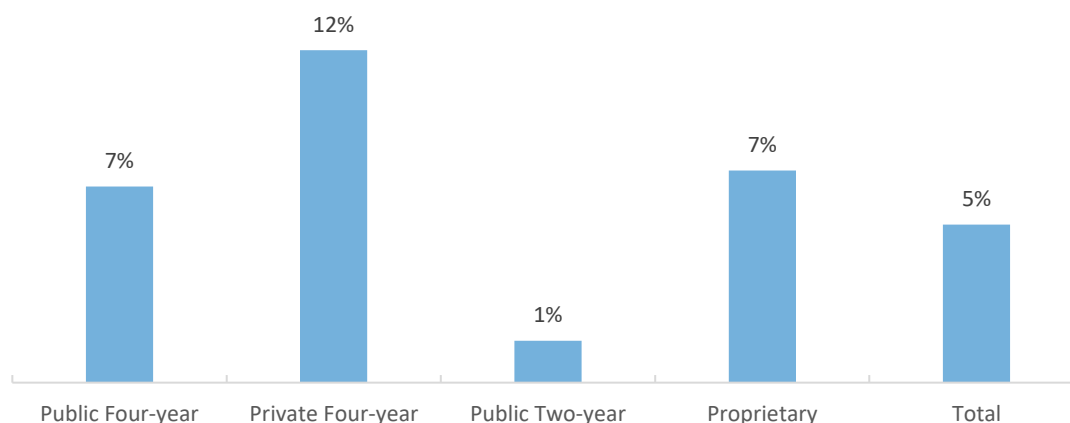
Almost two-thirds of undergraduates nationwide who graduated in academic year (AY) 2015-2016 had borrowed student loans, and 10 percent had parents who had borrowed parent PLUS loans. The public two-year sector had the lowest borrowing rates, with 40 percent of students borrowing and 4 percent of students' parents borrowing. The private four-year sector had the highest parent borrowing rate, at 15 percent, and the proprietary sector had the highest student borrowing rate, at 85 percent.

While parent borrowing rates were much lower than student borrowing rates, the average cumulative amounts borrowed were often not much lower. In the private four-year sector, parents ended up borrowing nearly as much as the students, with both groups having the highest median amounts among all the sectors. Overall, undergraduates who graduated in 2015-2016 ended up borrowing almost \$21,000 and the parents ended up borrowing more than \$15,000.

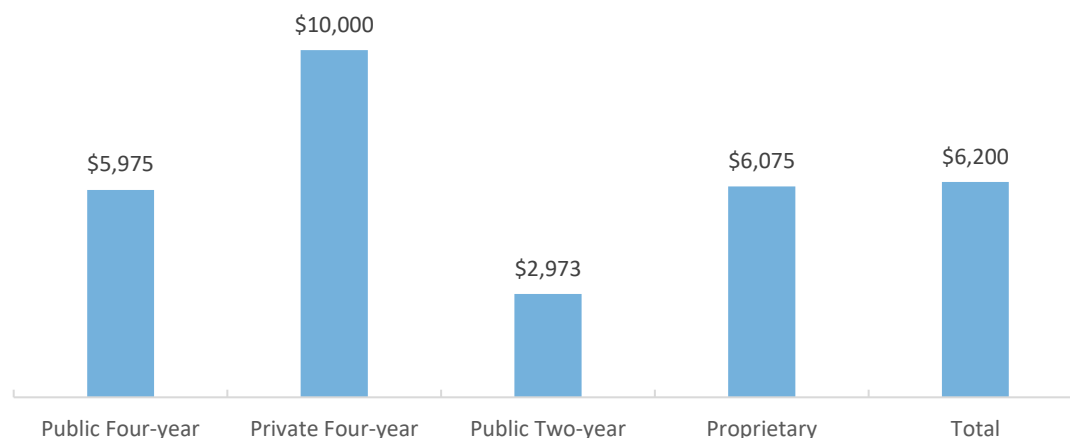
Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

Private Loan Borrowing Highest in the Private Four-year Sector

Percentage of Students Who Borrowed Private Loans in AY 2015-2016, by Sector



Median Private Loan Amount Borrowed in AY 2015-2016 by Students Who Borrowed Any Private Loans, by Sector

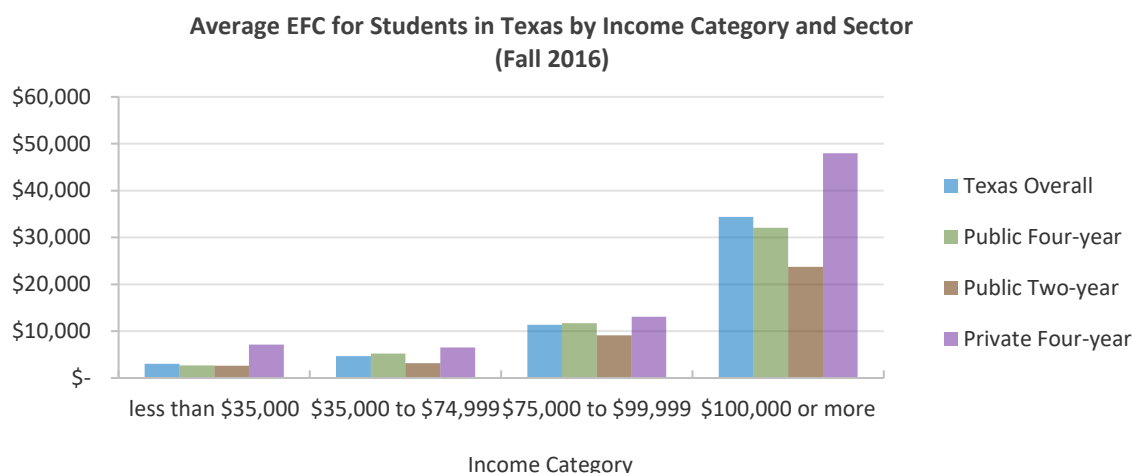
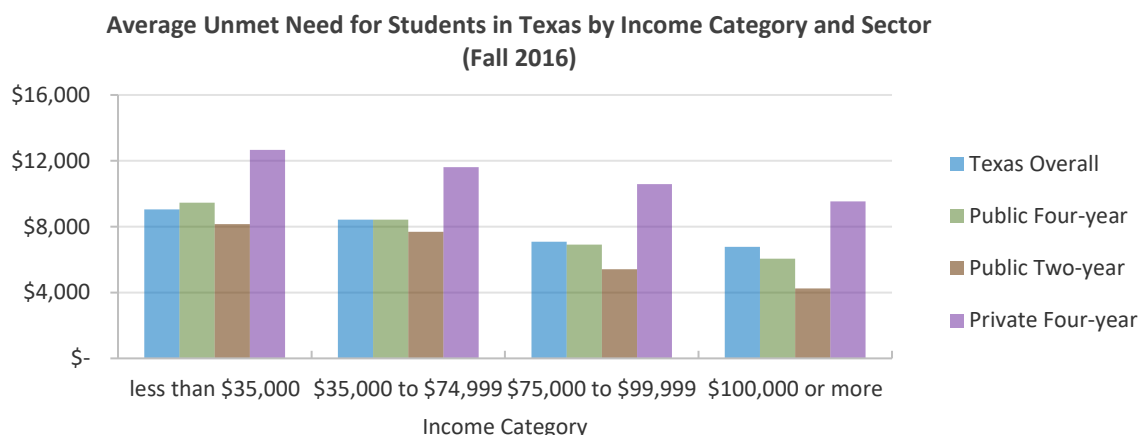


About five percent of undergraduates in academic year (AY) 2015-2016 borrowed a private education loan. The amount borrowed in that year varied by school sector, ranging from a median of \$2,973 at public two-year institutions to a median of \$10,000 at private four-year institutions. The overall median was \$6,200.

SECTION 7

Need and Work

Unmet Need for Low-Income Students in Texas About \$9,000 at Public Universities



Unmet need is defined as a student's cost of attendance* minus his or her expected family contribution (EFC)** and all financial aid including grants, scholarships, work-study, and loans. This is the amount that students and/or their families must cover over and above their EFC, which is also an out-of-pocket expense.

The lowest-income students in Texas tend to have the highest unmet need; in 2016, average unmet need for this group was \$9,057 statewide, or about \$1,000 per month over the course of the 9-month school year. At private four-year schools, the lowest-income students experienced average unmet need of over \$12,000. Besides having greater financial resources to contribute to EFC, those in the highest income category are more likely to attend more expensive four-year institutions, which further increases EFC. Data on students who attended proprietary institutions are not available.

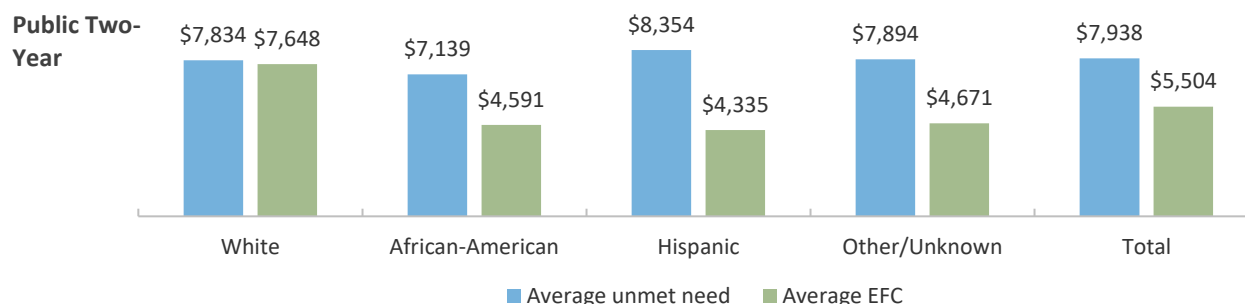
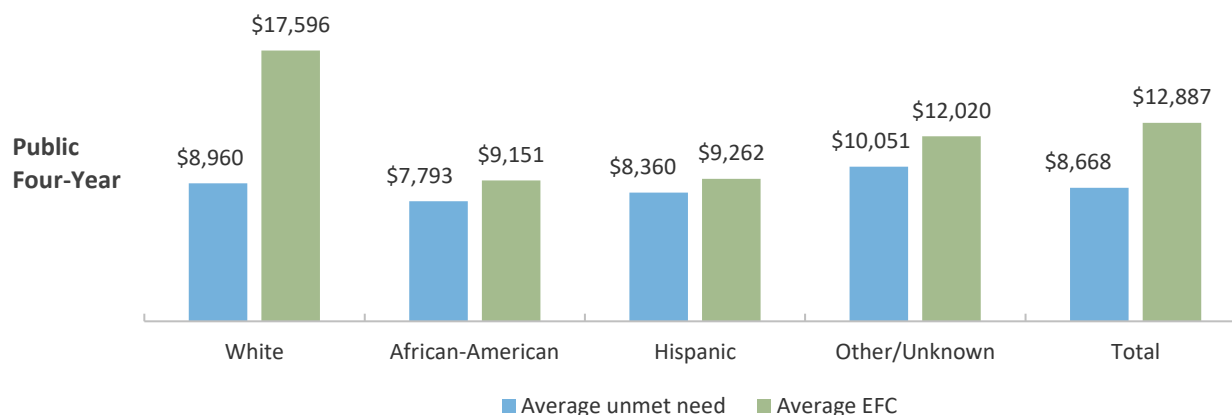
* Estimated sum of tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months.

** EFC is determined through a federal formula that considers family size, income, and the number of children in college, among other factors. It is considered a rough estimate of a reasonable, affordable annual payment for a family with a given set of circumstances.

Source: Texas Higher Education Coordinating Board (THECB), "Unmet Need and Expected Family Contribution" (unpublished tables).

Community College Students Expected to Pay Far Less but Have Almost as Much Unmet Need

Average Unmet Need and Average EFC* by Race/Ethnicity for Texas Public Institutions (Fall 2016)



Despite substantially lower cost of attendance at public two-year schools, unmet need* is not significantly lower on average for students at these institutions compared to students at public four-year institutions. The average community college student had nearly \$900 per month in unmet need over their 9-month school year.

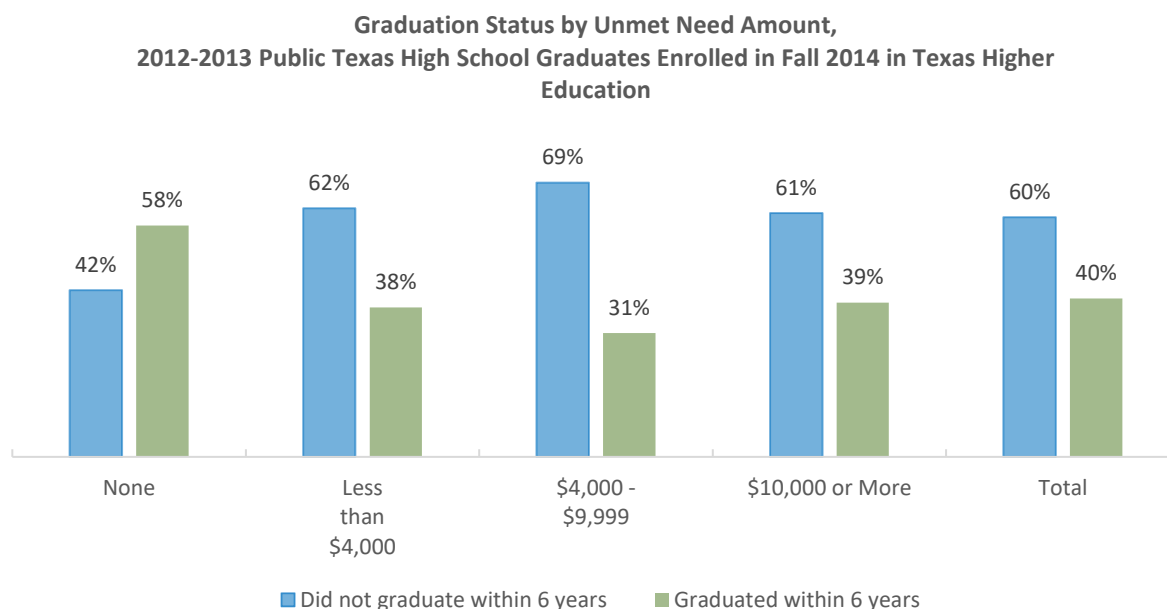
For all racial/ethnic groups, average expected family contribution (EFC)** was much higher at four-year universities due to a higher cost of attendance and a larger concentration of students from higher income families. Higher income students are disproportionately White or in the “Other/unknown” category, which explains the higher EFC amounts for those racial/ethnic groups. This is particularly evident at public four-year schools, where students in these racial/ethnic groups are not only wealthier on average but also more likely to enroll at higher cost universities.

* “Unmet need” is the gap that remains between a student’s resources and his/her total cost of attendance even after accounting for grant aid, loan aid, and EFC.

**EFC is the formulaically determined amount that the student can reasonably be expected to pay out of pocket.

Source: Texas Higher Education Coordinating Board (THECB), “Unmet Need and Unexpected Family Contribution” (unpublished tables).

Texas Students With Unmet Need Were Less Likely to Graduate Than Those With No Unmet Need

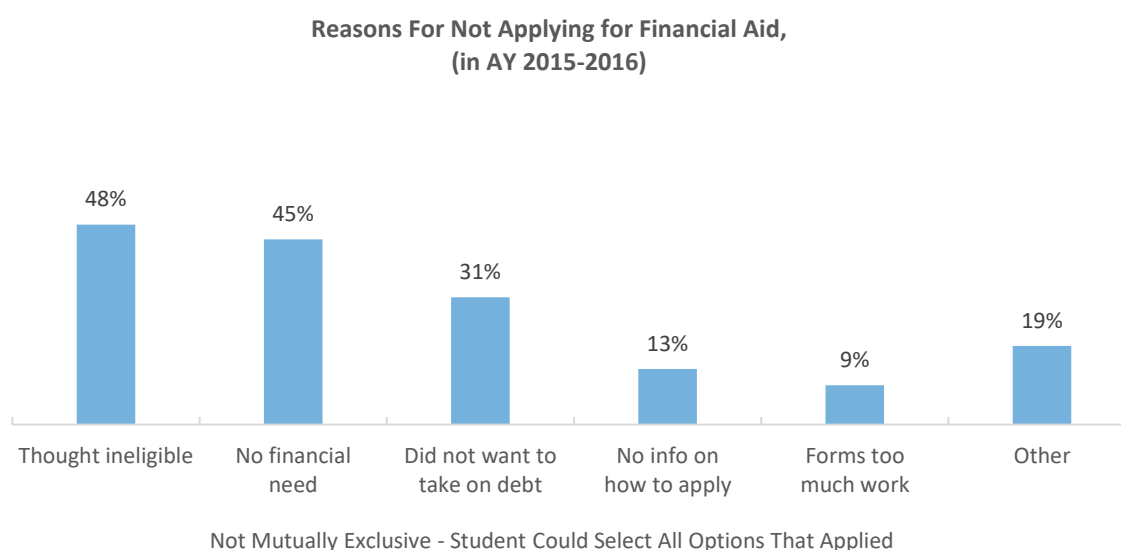
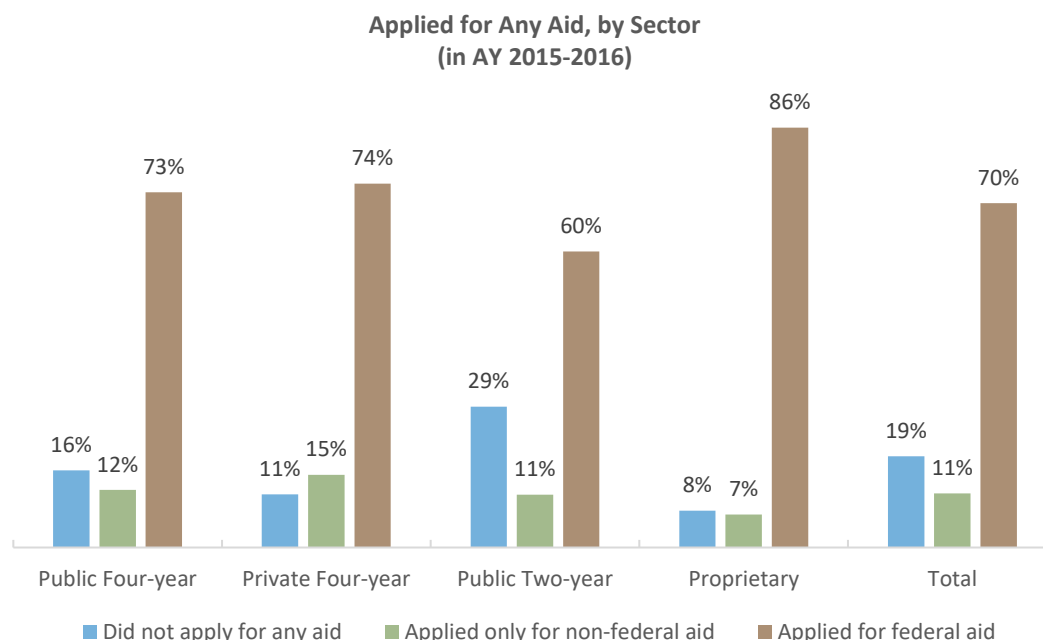


University students in Texas who had no unmet need were more likely to obtain a bachelor's degree than their peers who had unmet need. Over half of students with no unmet need had graduated within six years of initially enrolling in college, compared to 38 percent of those with unmet need below \$4,000, 31 percent of those with unmet need between \$4,000 and \$9,999, and 39 percent of those with unmet need of \$10,000 or higher.

Unmet need is the gap that remains between a student's resources and his/her total cost of attendance even after accounting for grant aid, loan aid, and expected family contribution (EFC; the formulaically determined amount that the student can reasonably be expected to pay out of pocket). The cost of attendance is the estimated sum of tuition and fees, books and supplies, food and housing, transportation, and other expenses for a full-time student for nine months.

Source: Texas Higher Education Coordinating Board (THECB), "Baccalaureate Graduation Status within Six Years by Unmet Need" (unpublished tables; special request).

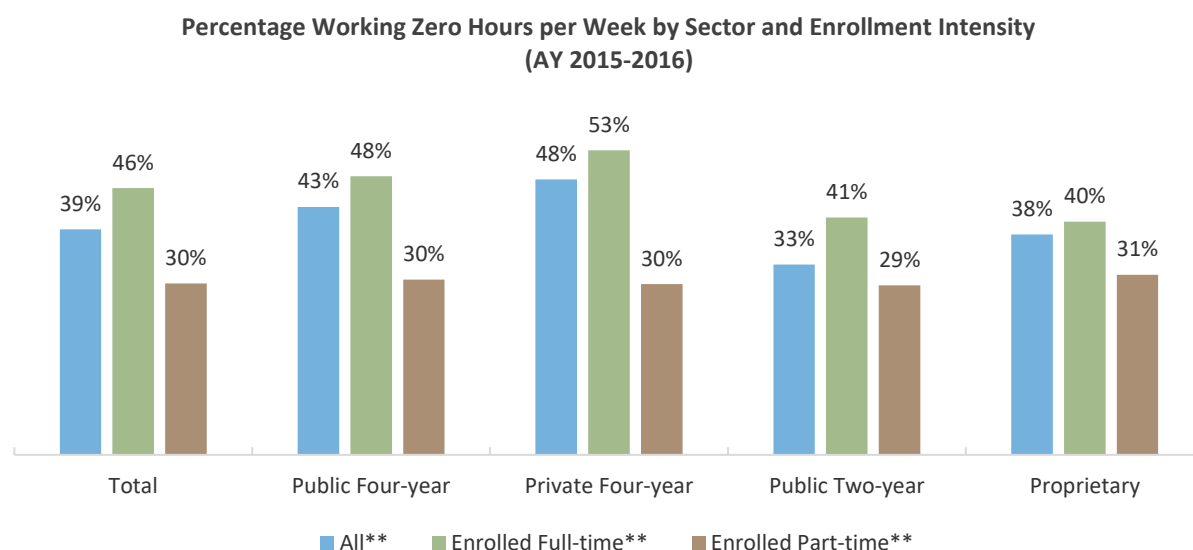
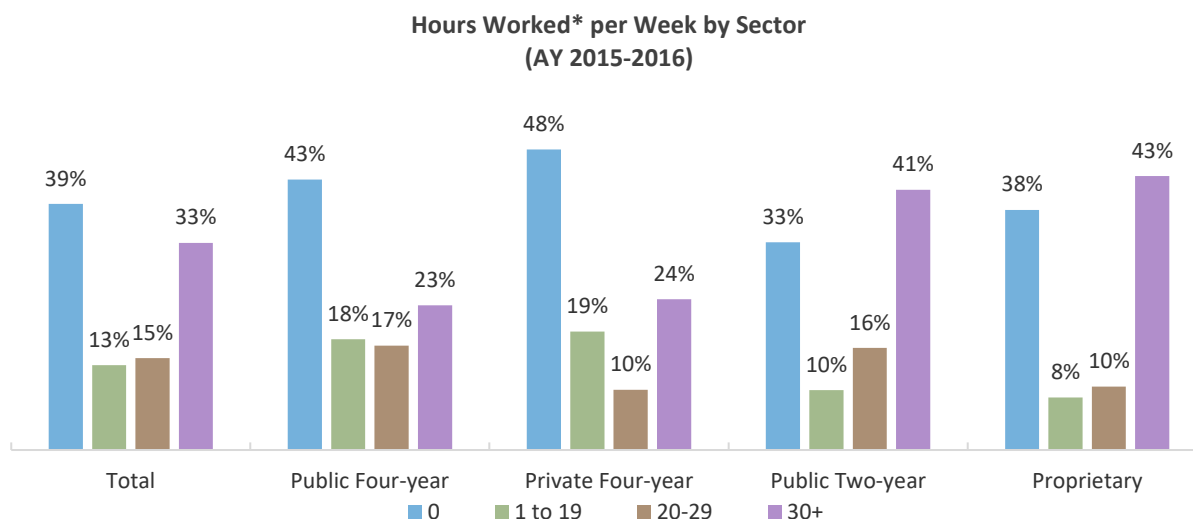
Nearly One-third of U.S. Undergraduates Who Did Not Apply for Financial Aid Were Wary of Taking On Debt



About four in five undergraduates nationwide had applied for some form of aid in academic year (AY) 2015-2016. Most of the students who applied for aid had applied for federal aid, with a small minority only applying for non-federal aid. Almost a third of students who did not apply for any aid said that they did not want to take on more debt, and almost half marked that they thought they were ineligible and/or they had no financial need.

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2016 (<http://www.nces.ed.gov/das>).

Two-thirds of Community College Students Nationally Worked While Enrolled



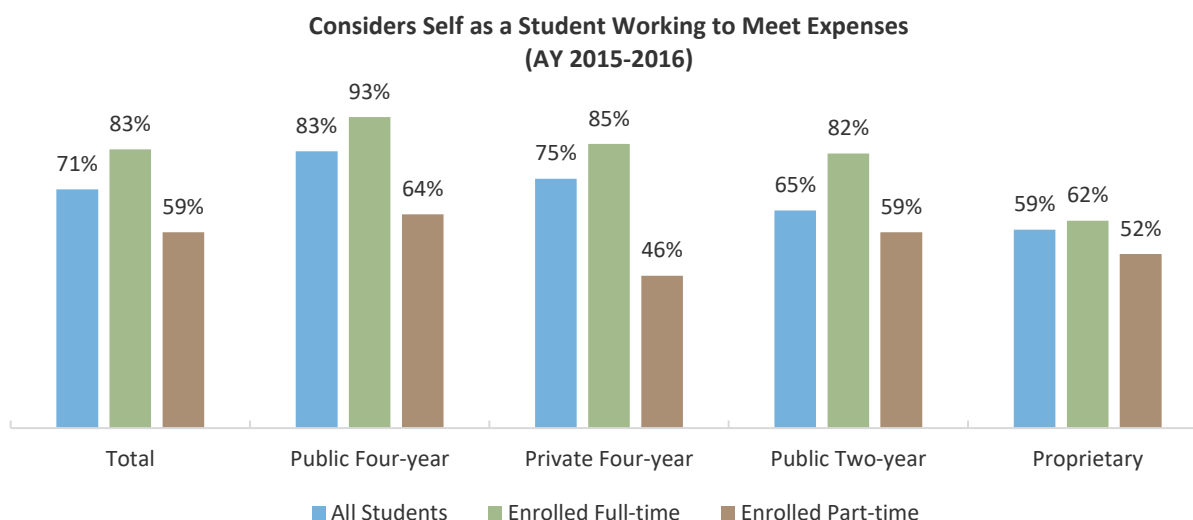
Overall, a third of undergraduates across the nation are working at least 30 hours per week, while 39 percent of students did not work during the 2015-2016 Academic Year (AY). These proportions vary by sector. Close to half of students at private four-year institutions and 43 percent of those at public four-year institutions did not work, and about a quarter of students at those sectors worked 30 hours or more per week. Two-thirds of community college students worked while enrolled. Students enrolled full-time are more likely to have worked no hours compared to students enrolled part-time.

*Excludes work-study

**Only those who were enrolled exclusively full-time or exclusively part-time for both the fall 2015 and spring 2016 semesters.

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (<http://www.nces.ed.gov/das>), 2016.

Most U.S. Students Who Work While Enrolled Consider Themselves to be Students Rather Than Employees



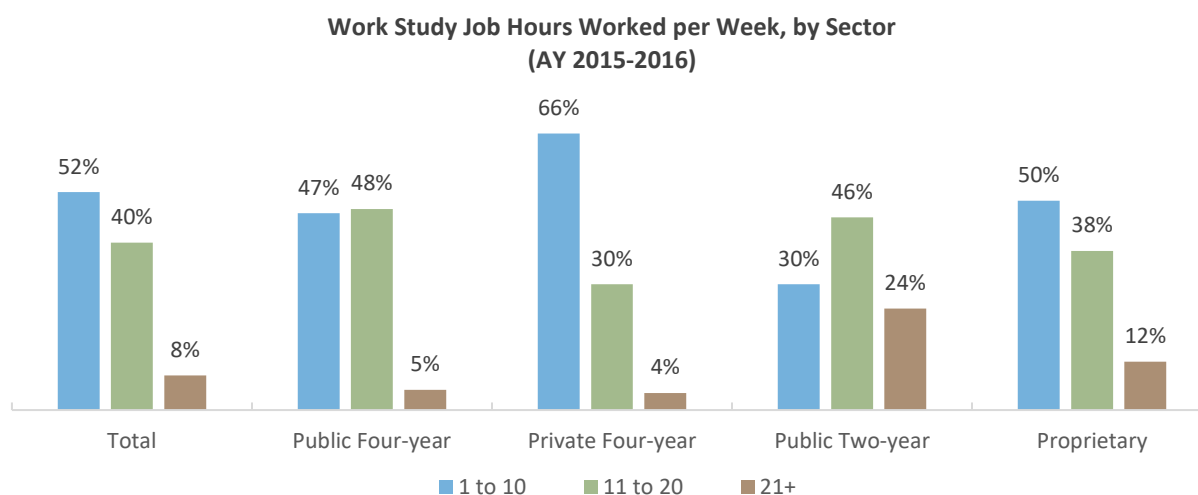
When asked if they consider themselves to be a student working to meet expenses or a worker who is going to school, 71 percent of students nationwide who worked while enrolled considered themselves to be a student rather than an employee during Academic Year 2015-2016. A majority of students across all sectors considered themselves to be students who work, but the proportions varied from 83 percent of public four-year students to 59 percent of proprietary students.

The proportions also varied by enrollment intensity. Nationwide, 83 percent of full-time students considered themselves to be students who work compared to 59 percent of students enrolled part-time.

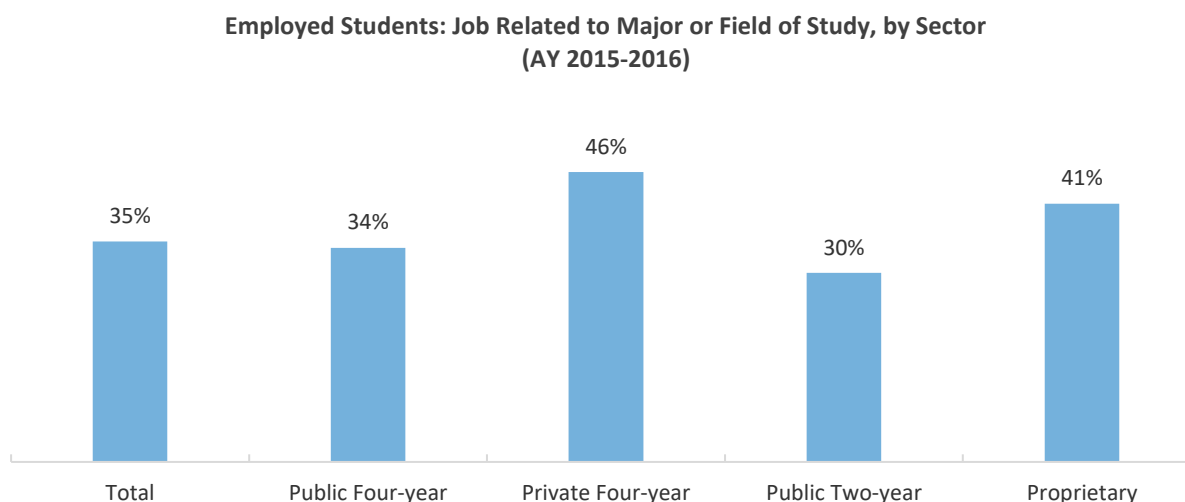
*Only students with jobs (includes work-study).

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (<http://www.nces.ed.gov/das>), 2016.

Most U.S. Students Feel Their Work-Study Job is Not Related to Their Major



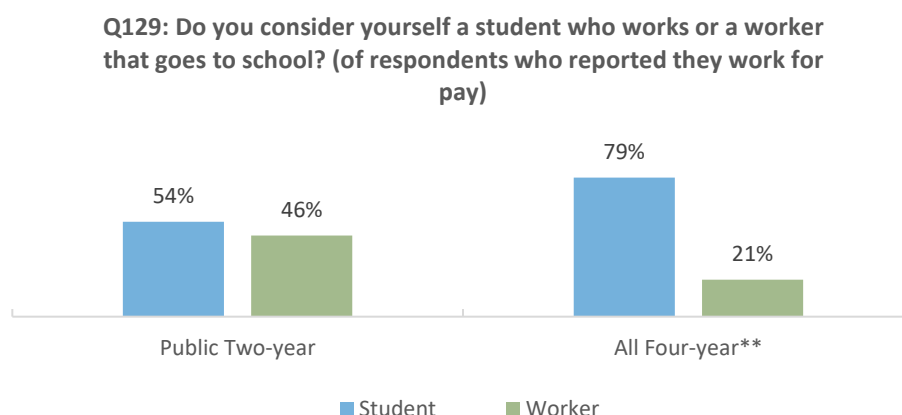
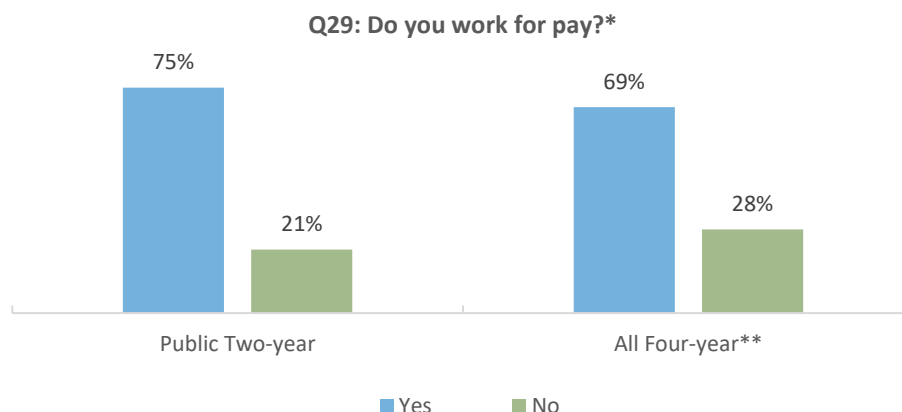
More than half of undergraduates across all sectors nationwide who had a work-study job worked 10 hours or fewer per week in that jobs and another 40 percent worked between 11 and 20 hours per week. Work-study students at public two-year institutions were more likely to work longer hours per week compared to their peers at all other sectors. About a quarter of all public two-year work-study students worked more than 20 hours per week at their work-study jobs.



About two-thirds of students who were employed while enrolled worked at a job that they did not believe was related to their major or field of study. This varied somewhat by section, with almost half of private four-year students holding work-study jobs related to their major compared to only about a third of students in the public two-year sector.

Source: U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) (<http://www.nces.ed.gov/das>), 2016.

Three-Quarters of Public Two-Year Students Worked While Enrolled During the Fall 2019 Semester



Three-quarters of respondents attending public two-year and 69 percent of respondents attending public and private, non-profit four-year institutions reported in Trellis' national Student Financial Wellness Survey that they worked for pay during the fall 2019 semester. Of the respondents who did work for pay, those attending four-year institutions were more likely to consider themselves to be students who work compared to students who were attending public two-year institutions. Nearly 80 percent of four-year students considered themselves to be students who work while nearly half of public two-year students considered themselves to be workers who go to school.

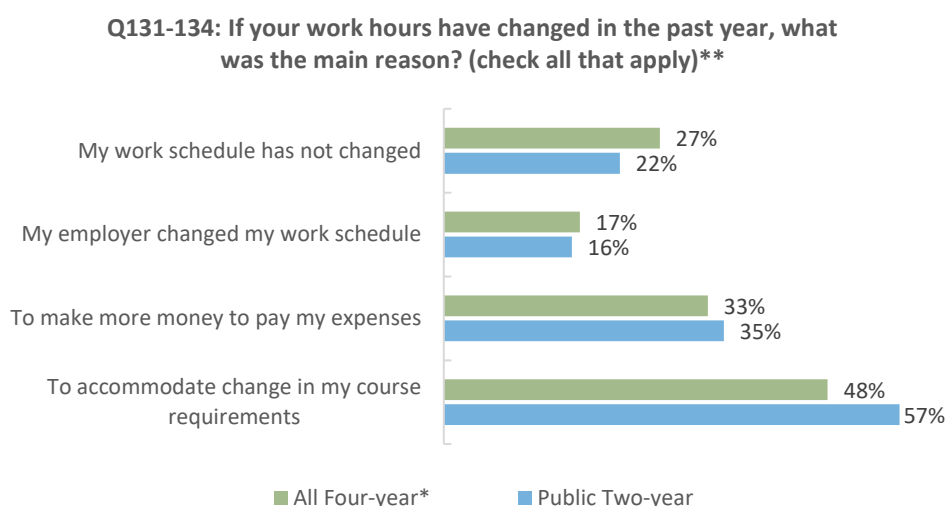
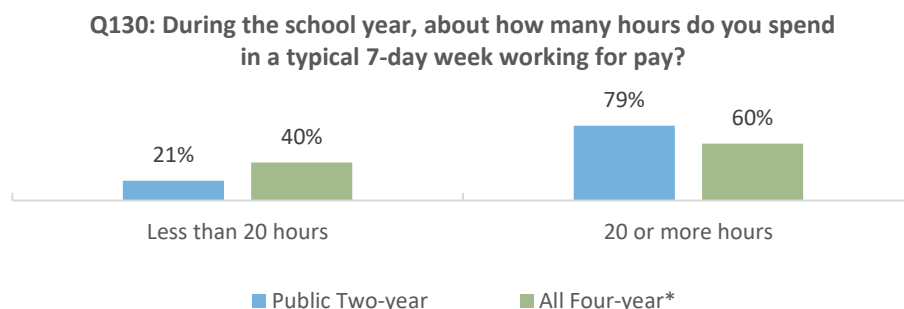
Note: Trellis's Student Financial Wellness Survey is open to any college nationwide that wants to participate. In the fall 2019 implementation, 78 colleges from 20 states participated – 54 community colleges and 24 four-year institutions. There were 23,684 respondents attending public two-year institutions and 14,804 respondents attending four-year institutions. The results are not nationally representative.

*Responses indicating "I Don't Know" are not shown

**Includes Public and Private, non-profit institutions

Source: Klepfer, K., Cornett, A., Fletcher, C., & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables).

Community College Students Are More Likely to Work 20 or More Hours per Week



While most students work while attending college, the number of hours they work per week varies greatly by school sector. Based on the responses to Trellis' national Student Financial Wellness Survey, more than three-quarters (79 percent) of respondents who were attending public two-year institutions in the fall 2019 semester worked 20 or more hours per week while enrolled. Working fewer than 20 hours per week was more common among students attending four-year institutions.

When students that work have to change their work hours, it can affect the amount of money they make and/or the availability of courses that fit into their schedule. Of the respondents who worked while enrolled, 73 percent of respondents attending public two-year institutions and 78 percent of respondents attending four-year institutions saw their work hours change in the last year. For all respondents, the main reason cited for this change was to accommodate a shift in their course requirements. However, about a third of respondents from all school sectors said their hours changed because they needed to make more money to pay expenses.

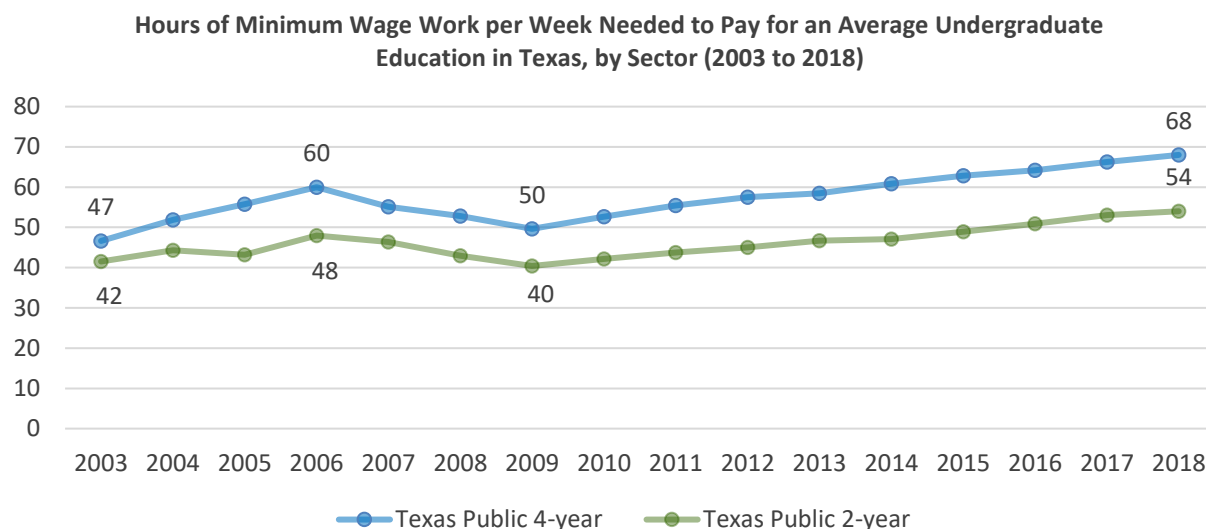
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* Includes Public and Private, non-profit institutions

**Percentage indicates respondents who chose at least one of the above choices

Source: Klepfer, K., Cornett, A., Fletcher, C., & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables).

Paying for A Bachelor's Degree Through Work Alone Would Require 68 Hours per Week at Minimum Wage



In earlier decades, many students financed an undergraduate education by taking a full course load while working enough hours to cover living and educational expenses, perhaps with the aid of savings from a full-time summer job. From 1966 to 1981, a time in which the minimum wage increased fairly regularly, an industrious undergraduate could have paid for a year of education at a public university — including tuition, food, and housing — by working about 24 hours per week at a minimum wage job.

In the early 1980s, as the cost of education began to climb and the minimum wage increased less frequently, the number of work hours needed to pay for an education began to rise. The hours needed to pay for an undergraduate education continued to inch upward in the 1990s, then rose again sharply at the turn of the century.

In 2018-2019, an in-state, residential undergraduate would have had to work 68* hours every week of the year to pay for two semesters at a Texas public university, and 54** hours for two semesters at a Texas community college. This is a slight increase from the previous year and is a continuation of the upward trend beginning in 2010, which reflects the period of annual minimum wage increases (2006-2009) coming to an end.

*The average student budget for an in-state, residential student at a Texas public four-year university in AY 2018–2019 was \$24,215. In 2018, the minimum wage was \$7.25 per hour, with 6.2 percent taken out for Social Security. At a net of \$6.80 per hour, a full-time Texas student with no other financial aid or assets would have to work 3,561 hours per year, or 68 hours per week, to put him or herself through school.

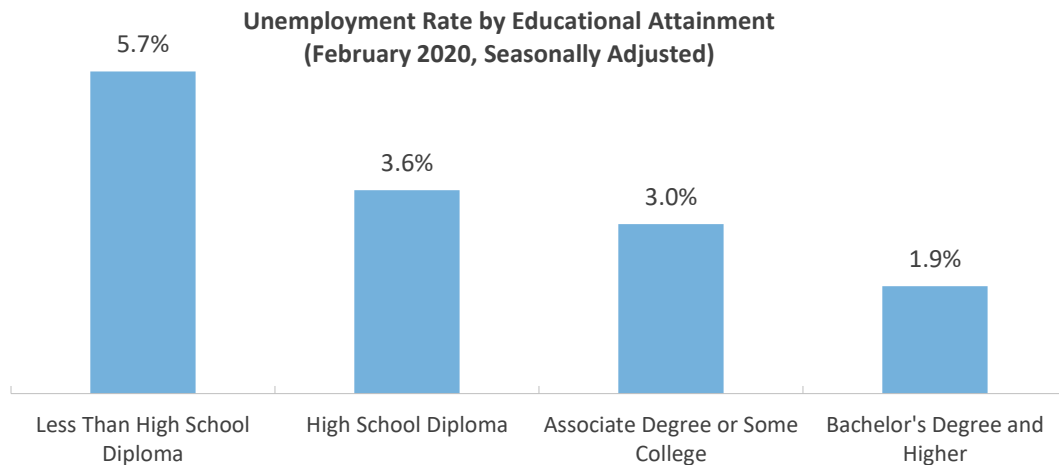
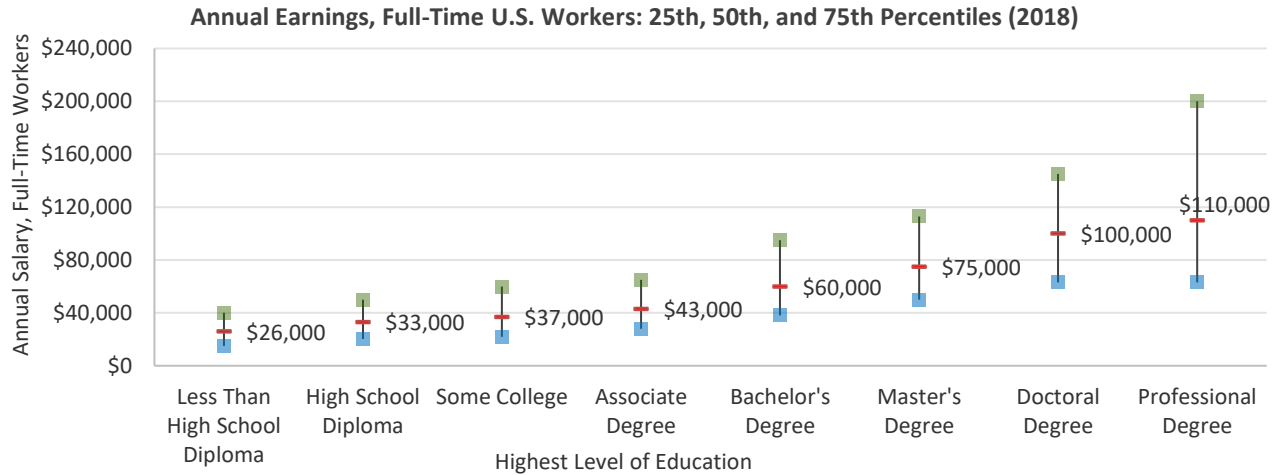
**The average student budget for an in-state, residential student at a Texas public community college in AY 2018–2019 was \$18,939. In 2018, the minimum wage was \$7.25 per hour, with 6.2 percent taken out for Social Security. At a net of \$6.80 per hour, a full-time Texas student with no other financial aid or assets would have to work 2,785 hours per year, or 54 hours per week, to put him or herself through school.

Sources: Minimum wage: U.S. Department of Labor. Employment Standards Administration, "History of Federal Minimum Wage Rates" (<http://www.dol.gov/whd/minwage/chart.htm>); U.S. Data: Postsecondary Education Opportunity. "I worked my way through college. You should too," 2008 update to *Research Newsletter*, Issue Number 125 (November 2002) (www.postsecondary.org); Texas Data: U.S. Department of Education, National Center for Education Statistics, IPEDS Data (<http://www.nces.ed.gov/ipeds/>).

SECTION 8

Texas College Attainment

College Graduates Earn Far More Than High School Graduates and Experience Less Unemployment

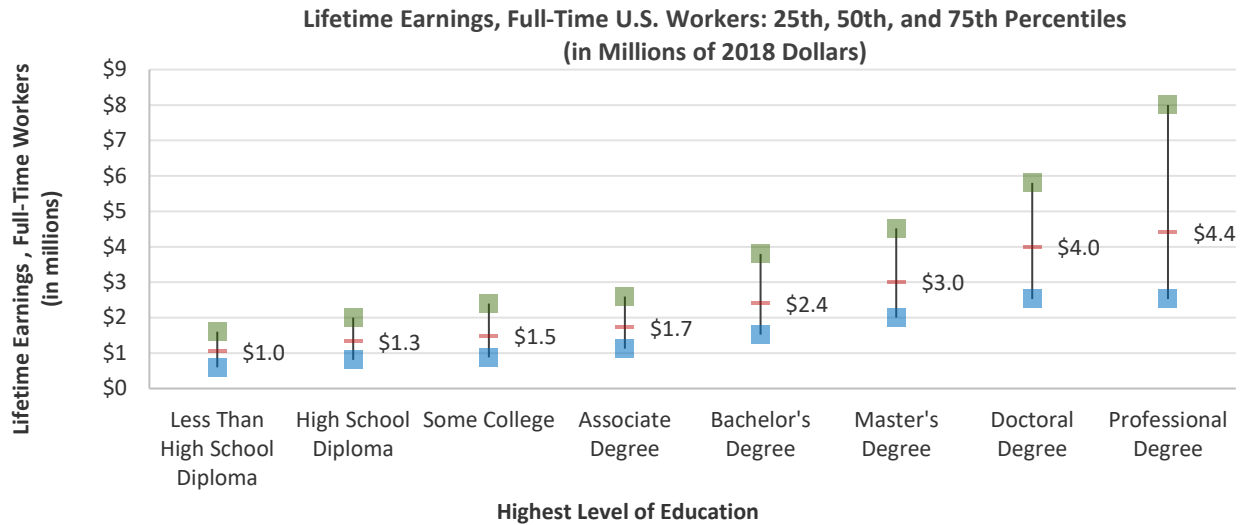


The U.S. Census Bureau reports that higher levels of education are typically associated with higher median earnings; however, annual incomes in the U.S. also vary widely within the same level of education. Consequently, some workers with associate degrees earn more than those with bachelor's degrees, while other bachelor's-level graduates make more than some master's degree holders. While educational level is not the sole predictor of one's income, the income range also expands as level of education increases, suggesting that workers with higher levels of education may encounter more opportunities for financial growth.

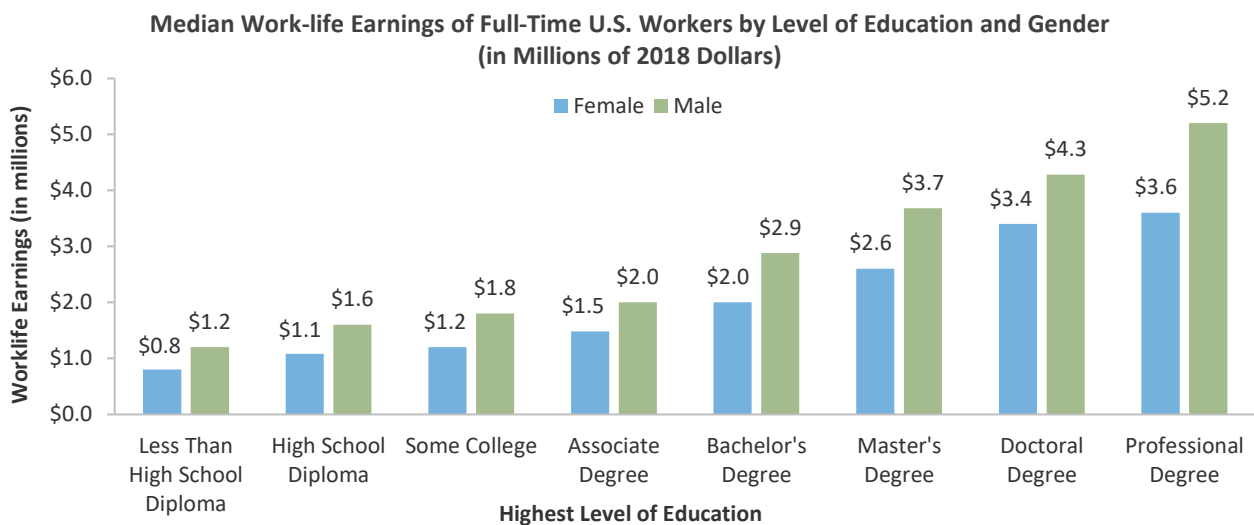
More evidence for the economic value of education comes from the U.S. Bureau of Labor Statistics. For February 2020, the unemployment rate of workers age 25 and older who had not completed high school stood at 5.7 percent. The unemployment rate for high school graduates was 3.6 percent, while the unemployment rate for those with a bachelor's degree and higher was 1.9 percent.

Sources: Unemployment: Bureau of Labor Statistics. "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," February 2020 (<http://www.bls.gov/news.release/empsit.t04.htm>); Earnings: U.S. Census Bureau, American Community Survey 2018 (<http://www.census.gov/programs-surveys/acs/data/pums.html>).

Better-Educated Workers Have Higher Lifetime Earnings



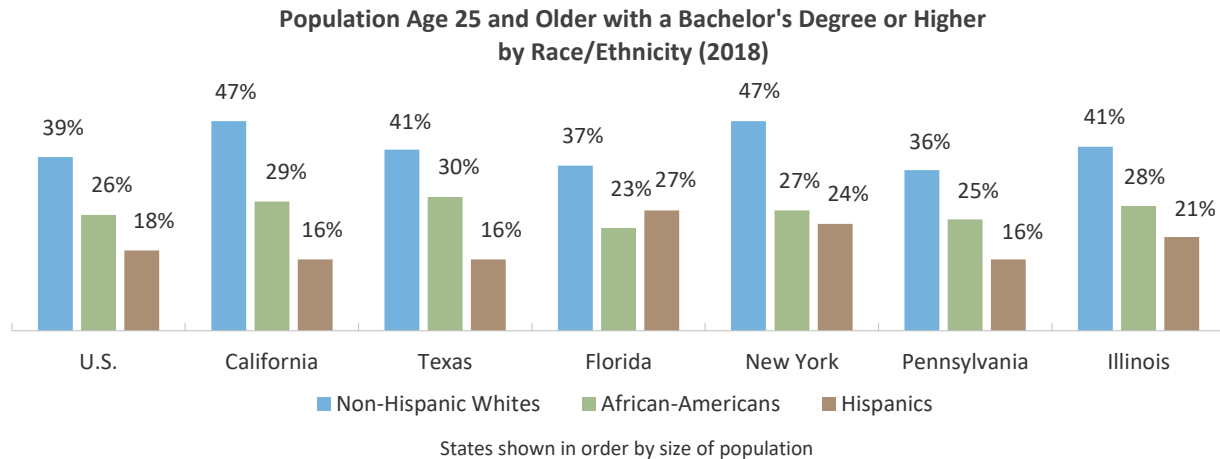
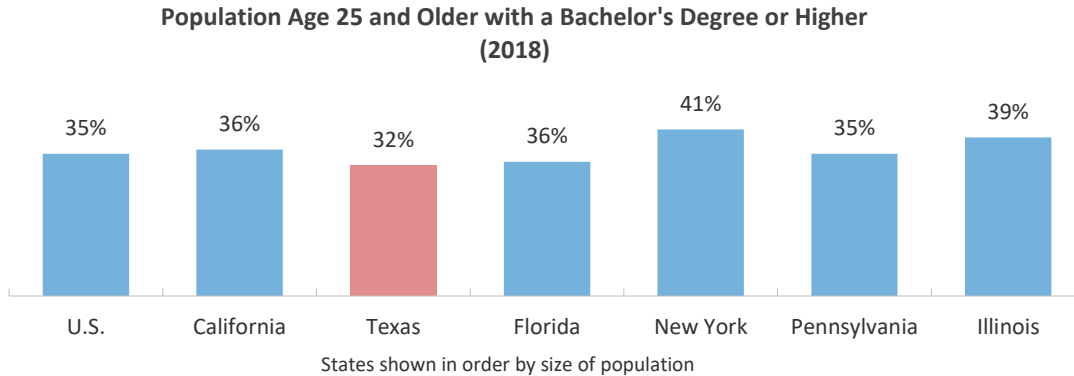
The difference in the salary earned by higher- and lower-credentialed workers compounds over a lifetime. The estimated earnings during the work-life (approximately 40 years) of a worker who did not complete high school is about \$1 million. Completing high school increases median lifetime earnings by about \$300,000, and completing a bachelor's degree raises median lifetime earnings to \$2.4 million. Post-graduate education pays off even more; workers with a professional degree, such as doctors and lawyers, can expect over the course of their work-lives to earn an additional \$2 million over what workers with a bachelor's degree will earn. Higher levels of education typically offer increased lifetime earnings, but they also allow for more earning *variability*, as shown by the wider income ranges for the higher levels of education, suggesting the importance of quality career guidance.



Median lifetime earnings differences based on education show earnings gaps by gender. For example, women typically must earn at least a bachelor's degree to make as much as men with some college or an associate degree.

Earnings: U.S. Census Bureau, American Community Survey 2018 (<http://www.census.gov/programs-surveys/acs/data/pums.html>).

One-third of Texans Age 25 and Older Have a Bachelor's Degree



Texas is slightly lower than the nation in the percentage of people who have completed a bachelor's degree or higher. U.S. Census Bureau data show that in 2018 about 32 percent of Texans age 25 and older had obtained a bachelor's degree or higher, compared to 35 percent of adults nationwide. Among the six most populous states, Texas has the lowest percentage of the overall population age 25 and older with a bachelor's degree or higher.

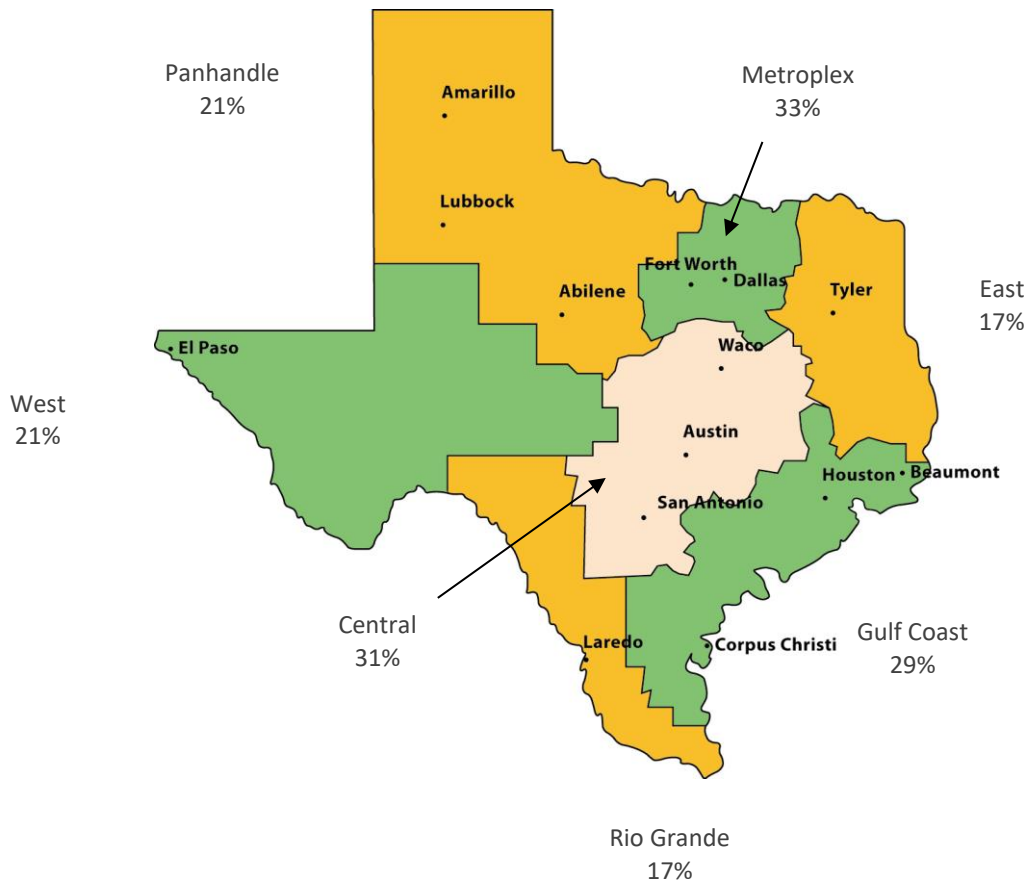
By race/ethnicity, U.S. Census Bureau data also show that:

- In Texas, Hispanics are the least likely to have a bachelor's degree. Only 16 percent of Hispanics age 25 and older have a bachelor's degree or higher, compared with 41 percent of Non-Hispanic Whites.
- The percentage of African-Americans in Texas who have a bachelor's degree is 11 percentage points lower than that of Whites. This gap has decreased by 4 percentage points since 2017.
- Among the six largest states, Texas is tied for third in the percentage of Whites with a degree and ties for last for Hispanics.

Source: U.S. Census Bureau, Current Population Survey 2018. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement (<https://www.census.gov/cps/data/cpstablecreator.html>).

Texas Educational Attainment Levels Vary by Region

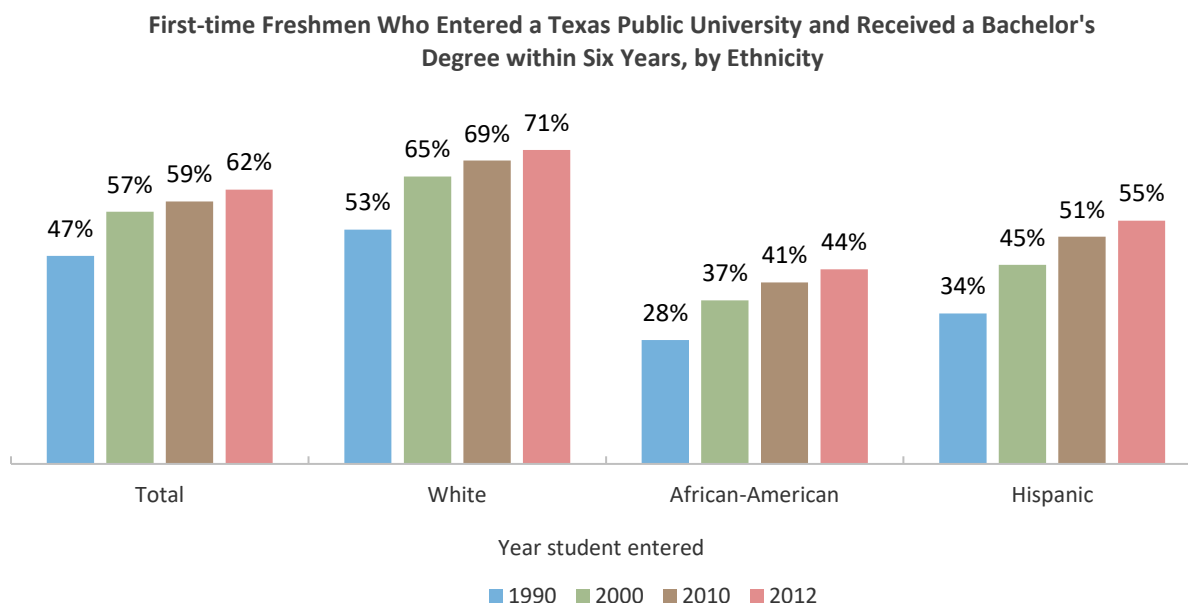
Population Age 25 and Older with a Bachelor's Degree or Higher (2016)



Educational attainment levels in the different regions of Texas vary dramatically. In the Metroplex region, 33 percent of people age 25 and older have a bachelor's degree or higher. In Central Texas, home to the state's two flagship universities, 31 percent of adults have a bachelor's degree or higher, and in the Gulf Coast region, 29 percent have a bachelor's degree or higher. However, educational attainment levels drop off in other areas of the state. The East Texas, West Texas, and Panhandle regions all record lower levels of educational attainment, and in the Rio Grande Valley and East Texas regions, the percentage of college graduates is about half that in the Metroplex region.

Source: U.S. Census Bureau, American Communities Survey, 2016 Five-Year Estimates, Washington, D.C. (<http://www.census.gov/acs/www/>).

Graduation Rates in Texas Rising, But Remain Stratified by Race/Ethnicity

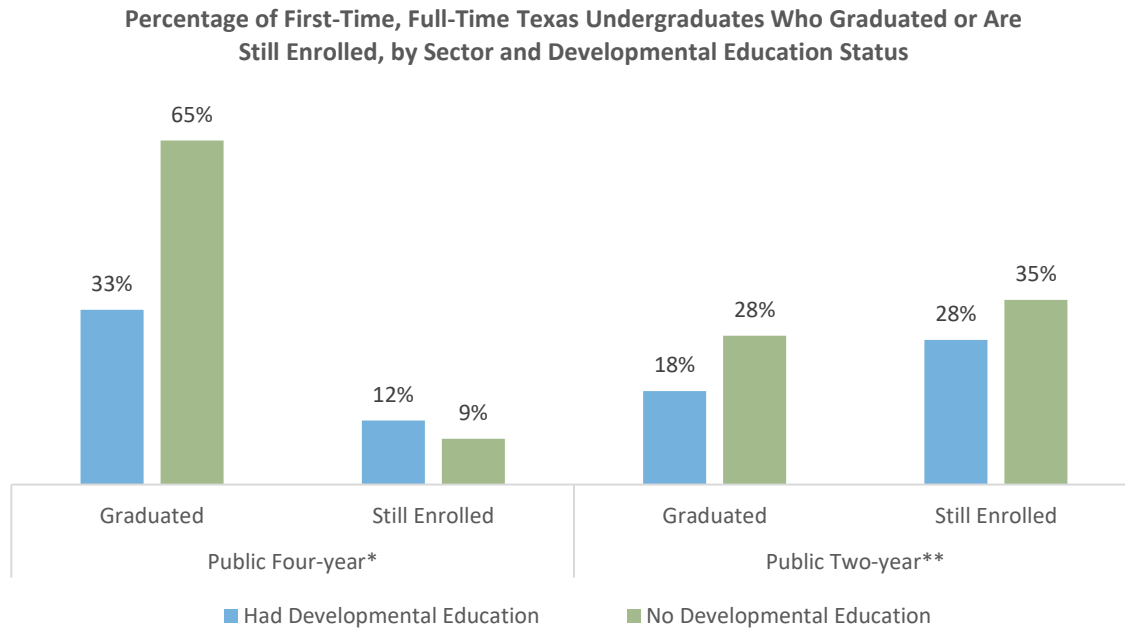


College graduation rates in Texas are rising but remain stratified by ethnicity. About 62 percent of first-time (in college), full-time freshmen who entered a Texas public university in 2012 obtained a bachelor's degree from that or another Texas public university within six years, but the rate varied from 71 percent of Whites to 55 percent of Hispanics to 44 percent of African-Americans. The six-year graduation rates have risen over the past two decades for all racial and ethnic groups.

As of Fiscal Year (FY) 2013, only 27.6 percent of freshmen in Texas graduate in four years. Most undergraduates in the U.S. take more than four years to complete a bachelor's degree. In 2013, only 38.7 percent of students nationally completed a degree within 4 years. Reasons for this vary, but include that the student may be: 1) pursuing a degree that requires more than 120 credit hours; 2) pursuing more than one degree; 3) changing his or her degree plan or major; 4) taking extra courses beyond those needed to graduate; 5) leaving or "stopping out" of school for brief periods; or 6) transferring from one institution to another. In addition, many students may attend school part time and work long hours in order to cut costs.

Sources: National 4-year Graduation rates (2013): The Chronicle of Higher Education. College Completion. https://collegecompletion.chronicle.com/state/#state=ny§or=public_four; Graduation rates: Six-year and ten-year: THECB, Baccalaureate Graduation Rates (<http://www.txhighereddata.org/index.cfm?objectid=27718BD7-BD77-2355-39495E1FB4605755>).

Texas Undergraduates Who Took Developmental Education Courses Were Less Likely to Graduate



Texas students who took one or more developmental education courses were less likely to have graduated compared to their peers who did not take developmental education courses at both public four-year and public two-year institutions. In the public four-year sector, developmental education students were a little more likely to still be enrolled six years after entering postsecondary education whereas the opposite was true in the public two-year sector three years after starting college.

In recent years, there have been efforts at institution and state levels to reform developmental education to make it more effective, efficient, and improve the pathways to graduation. Some of the efforts that have shown promise include collaboration with high schools to better assess students before the enter college, compressing the coursework so that it does not take an entire semester to complete the course, using co-requisite pathways that integrate additional support into “mainstream” classes for the students who need it, and implementing comprehensive student support programs.

* In 2018 for first-time, full-time students entering in fall 2012. The missing percentage is the percentage of students who had not graduated or were not still enrolled six years after entering postsecondary education.

** In 2018 for first-time, full-time students entering in fall 2015. The missing percentage is the percentage of students who had not graduated or were not still enrolled three years after entering postsecondary education.

Sources: Texas Higher Education Coordinating Board (THECB), Graduation and Persistence of Developmental Education Students (<http://www.txhighereddata.org/index.cfm?objectid=200A40A0-E156-11E8-BB650050560100A9>); Developmental Education Reforms: U.S. Department of Education, January 2017, “Developmental Education Challenges and Strategies for Reform” (<https://www2.ed.gov/about/offices/list/oepd/education-strategies.pdf>).

Texas Ranks Low in Percentage of Young Adults with a Bachelor's Degree or Higher

Percentage of Adults in 2018 (Ages 25-64) With a Bachelor's Degree or Higher

| <u>U.S. States</u> | <u>%</u> | <u>OECD Countries</u> |
|--|----------|--|
| | ↑ | |
| | 48 | |
| Massachusetts | | |
| | 46 | |
| New Jersey | 44 | Switzerland |
| Colorado • Maryland • Connecticut | 42 | Lithuania |
| Virginia | | Iceland |
| Vermont • New York | 40 | Ireland • Belgium |
| Minnesota | | Luxembourg |
| New Hampshire | 38 | |
| Illinois • Washington | | United States • Israel |
| Rhode Island | 36 | Netherlands • United Kingdom |
| Kansas • Utah • California • Oregon • Nebraska | | New Zealand • Korea • Estonia |
| Pennsylvania • Hawaii | 34 | Finland • Australia |
| North Carolina • Georgia | | Sweden • Denmark |
| Montana • Maine • North Dakota • Wisconsin • Delaware • Missouri | 32 | Canada • Norway |
| Michigan • Iowa • Texas • Ohio • Florida | | OECD Average • Poland • Japan |
| South Dakota • Arizona • Alaska | 30 | Latvia • Greece |
| South Carolina • Tennessee • Indiana | | |
| Idaho • Wyoming | 28 | Germany |
| Alabama | | |
| New Mexico • Kentucky • Oklahoma | 26 | Spain |
| Louisiana | | Portugal • Slovenia |
| Nevada • Arkansas • Mississippi | 24 | Slovak Republic • Czech Republic • Hungary |
| | | Colombia |
| West Virginia | 22 | France |
| | 20 | |
| | | Italy |
| | 18 | Austria |
| | ↓ | Mexico • Chile • Turkey |

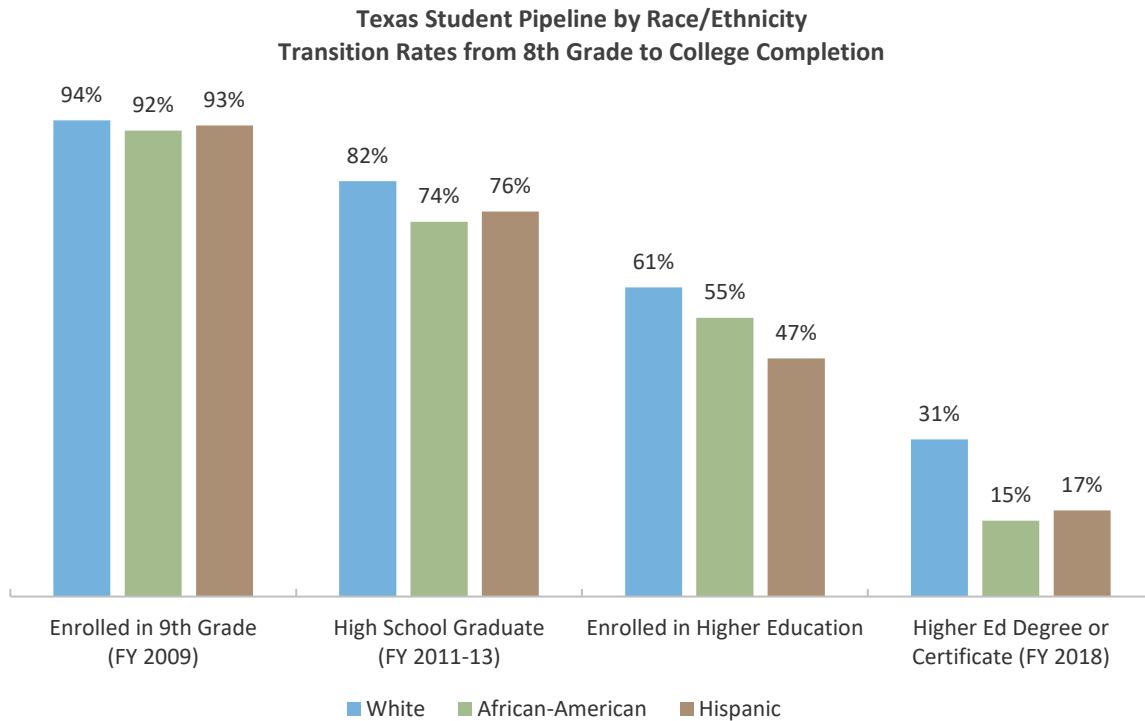
The U.S. is often compared to other countries in the Organization for Economic Co-operation and Development (OECD) when measuring educational attainment. However, within the United States, each individual state can have very different education outcomes. Disaggregating attainment by individual U.S. states highlights the variance between state education systems in attainment percentages. The U.S. average for adults (ages 25-64) with a bachelor's degree or higher is 37 percent, higher than the OECD average and the Texas average of 31 percent. These rankings can change significantly when comparing attainment levels of an associate degree or higher.

Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit.

Source: OECD (2019), *Education at a Glance 2019: OECD Indicators*, OECD Publishing, Paris.

DOI: <http://www.oecd.org/education/education-at-a-glance/>; U.S. Census Bureau, Current Population Survey 2018. Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement (http://www.census.gov/hhes/www/cpstc/cps_table_creator.html).

Many Texas Students Exit the Education Pipeline Toward a Higher Education Degree or Certificate at Transition Points



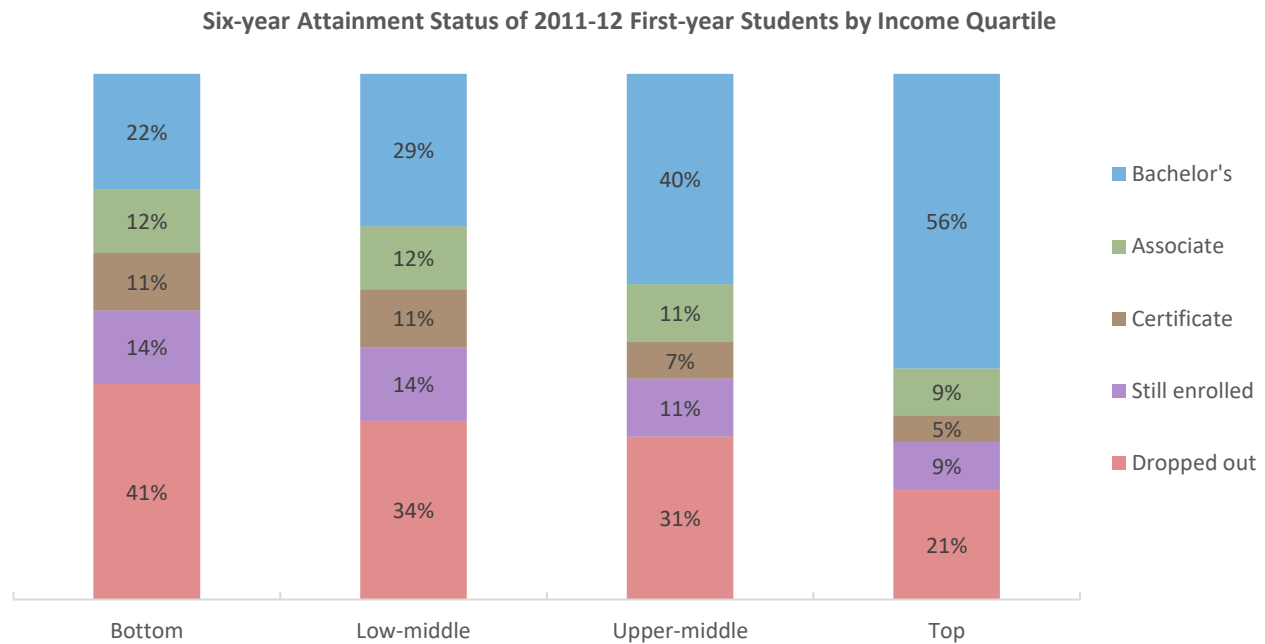
The student pipeline is one way to consider the flow of Texas students into postsecondary credentials. The pipeline metaphor highlights the major transition points, or “leaks”, where many students drip out of the system. Focusing only on student success after high school is an insufficient strategy to increase the number of postsecondary credentials. Instead, a strategy of promoting student achievement at every level of the educational pipeline has a better chance of increasing degree attainment.

At every stage of the student pipeline, larger percentages of Hispanic and African-American students exited compared to White students. Whereas 61 percent of White 8th graders in 2008 enrolled in higher education directly following high school graduation, only 55 and 47 percent of African American and Hispanic 8th graders enrolled, respectively. Reducing these disparities is essential to making the attainment gains Texas needs for a skilled and competitive workforce, because these gains will most easily be found in historically underserved populations. For all student groups, those who enrolled in higher education but did not complete a degree or certificate represented the largest drop-off in the student education pipeline and the largest opportunity to improve student success.

Note: The methodology and design for this figure was derived from the Texas Business Leadership Council and NCHEMS, 2013 TAB Higher Education Summit.

Source: Texas Higher Education Coordinating Board, Regional Topic Data Tabs: 8th Grade Cohort and HS to College Data, 2018 (<http://www.txhighereddata.org/index.cfm?objectid=4E600400-D970-11E8-BB650050560100A9>). TEA and National Student Clearinghouse data used by THECB. Out-of-state graduate total not shown, because current NSC data collection extends only into 2006.

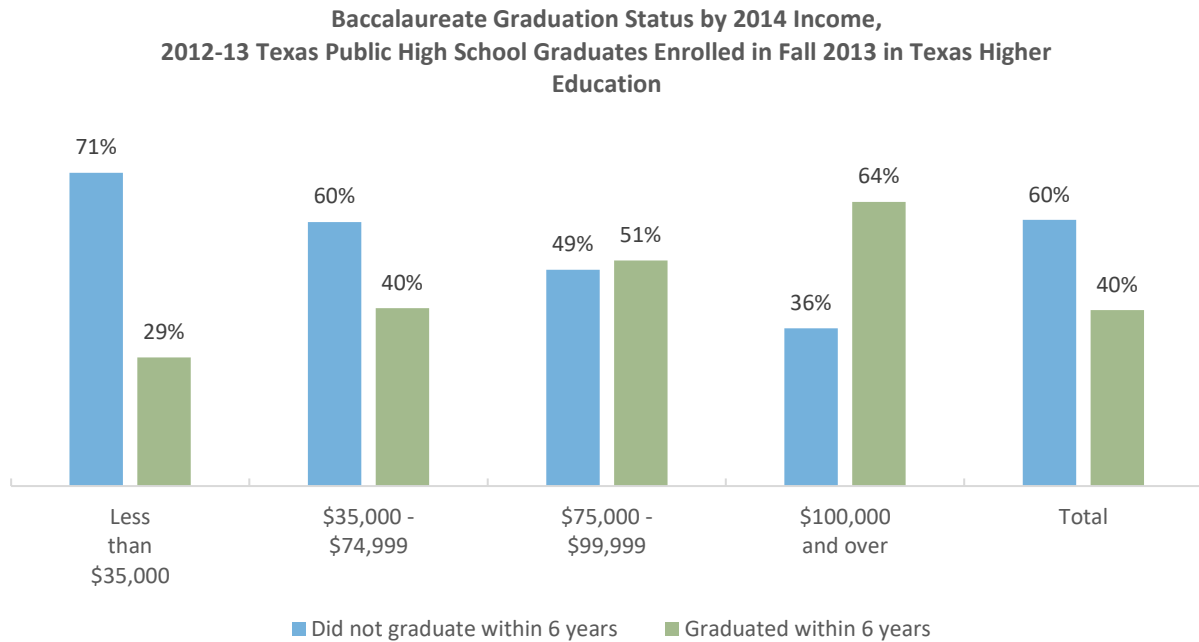
More Than 40 Percent of Low-Income Students Nationwide Dropped Out Within Six Years of Starting College



Income plays an outsized role in student success. The federal government tracked first-year students who began in academic year (AY) 2011-12. These students were segmented into income quartiles and compared by their academic outcomes. Over half of the top quartile earned a bachelor's degree within six years, while only 22 percent of the lowest quartile had made such an achievement. Furthermore, students in the bottom income quartile were almost twice as likely to leave school without a degree as those in the top quartile.

Source: U.S. Department of Education, National Center for Education Statistics, 2012/2017 Beginning Postsecondary Students Longitudinal Survey (BPS: 12/17) (<https://nces.ed.gov/surveys/bps/>).

Low-Income Texas Students are Far Less Likely to Obtain Bachelor's Degree Than High-Income Peers

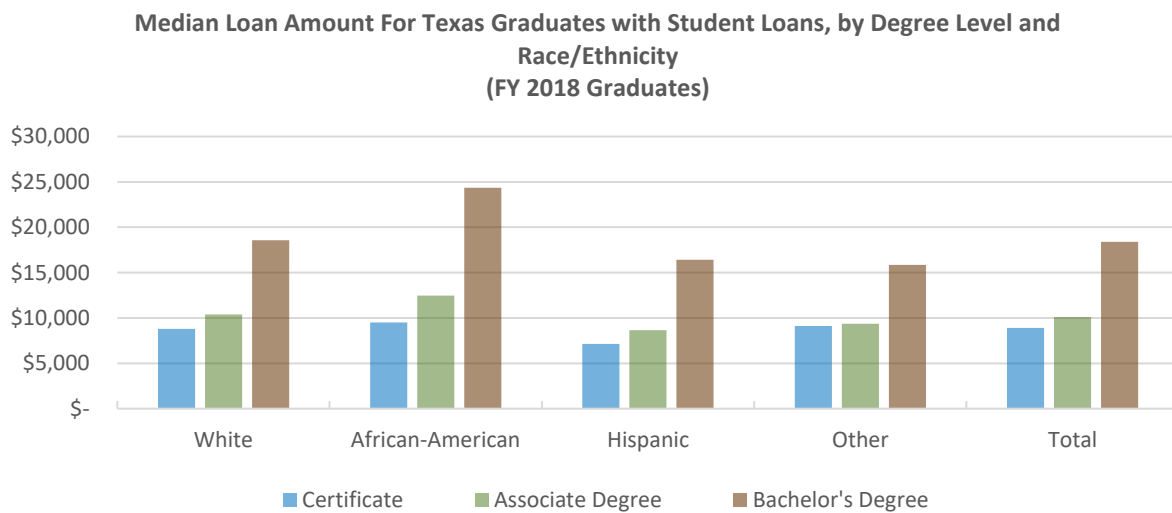
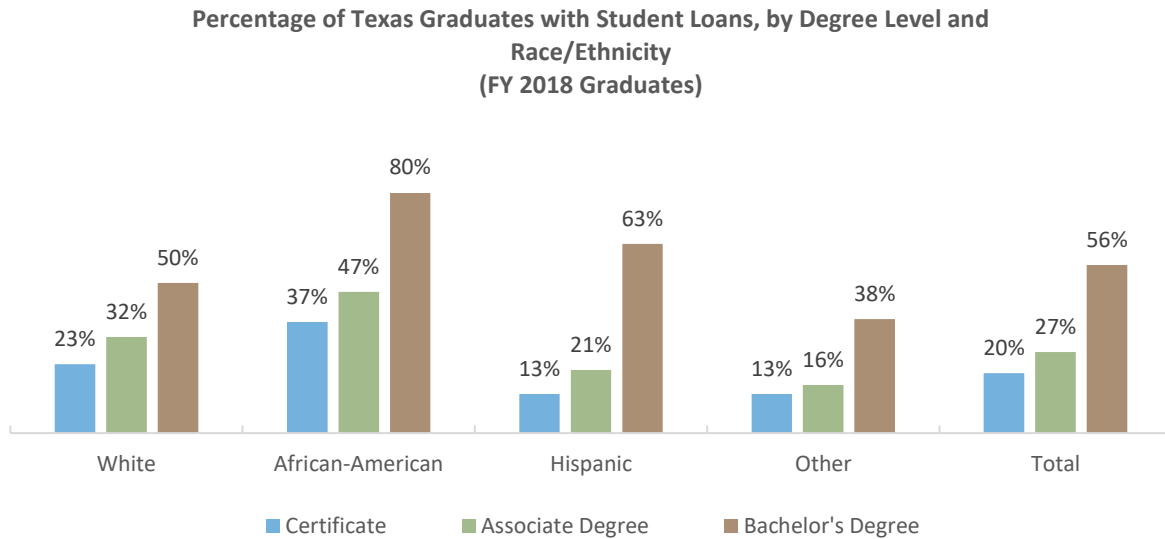


Less than a third of Texas baccalaureate students with incomes below \$35,000 had graduated within six years, compared to two-thirds of students with six-digit incomes. Students with low incomes are more likely to have unmet need, which is the amount that students and/or their families must cover over and above all grants, scholarships, work-study, loans, and expected family contribution*.

*Expected family contribution is determined through a federal formula that considers family size, income, and the number of children in college, among other factors. It is considered a rough estimate of a reasonable, affordable annual payment for a family with a given set of circumstances.

Source: Texas Higher Education Coordinating Board (THECB), "Baccalaureate Graduation Status within Six Years by Income Range" (unpublished tables; special request).

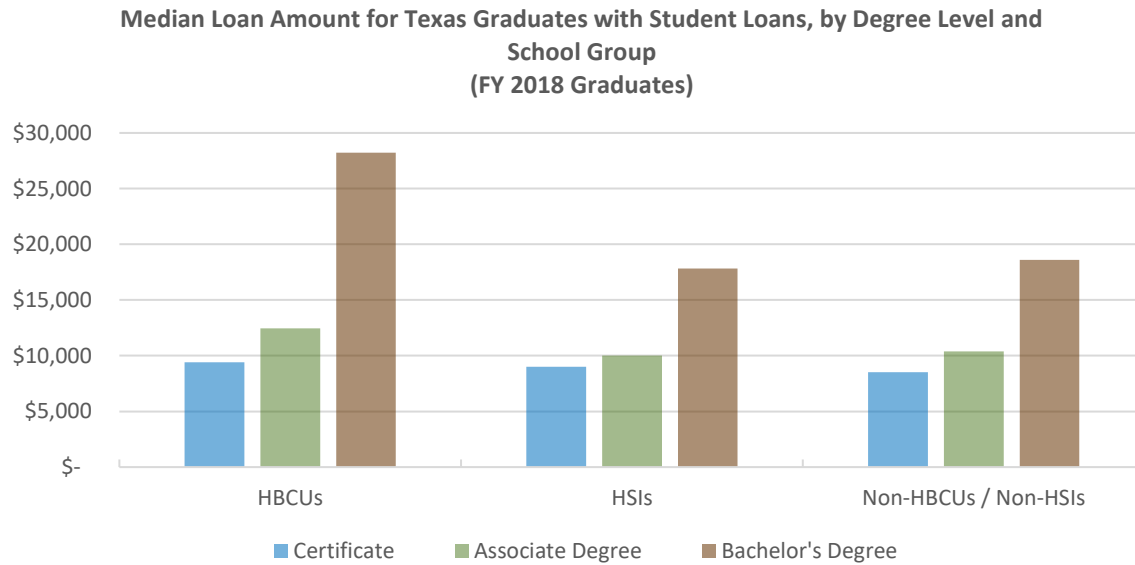
Four in Five African-American Texas Bachelor's Degree Graduates Had Borrowed Student Loans



Bachelor's degree recipients in Texas who graduated in fiscal year (FY) 2018 were more likely to borrow and borrowed larger cumulative amounts compared to Certificate and Associate degree recipients. African-American students were particularly likely to borrow and to have a larger cumulative amount compared to students of other races/ethnicities, with 80 percent of African-American Bachelor's degree recipients borrowing a median of nearly \$25,000.

Source: Texas Higher Education Coordinating Board (THECB), "Median Indebtedness by Degree Level and Race/Ethnicity" (unpublished tables; special request).

HBCU Bachelor's Degree Recipients Borrowed a Median Cumulative Amount of Nearly \$30,000



Student borrowers at Texas Historically Black Colleges and Universities (HBCUs) had a median debt of almost \$30,000 or roughly 50 percent higher than borrowers attending all other institutions in Texas.* The median amount borrowed at the Certificate and Associate Degree level is more similar between the HBCUs, the Hispanic-Serving Institutions (HSIs), and the non-HBCU/HSI institutions.

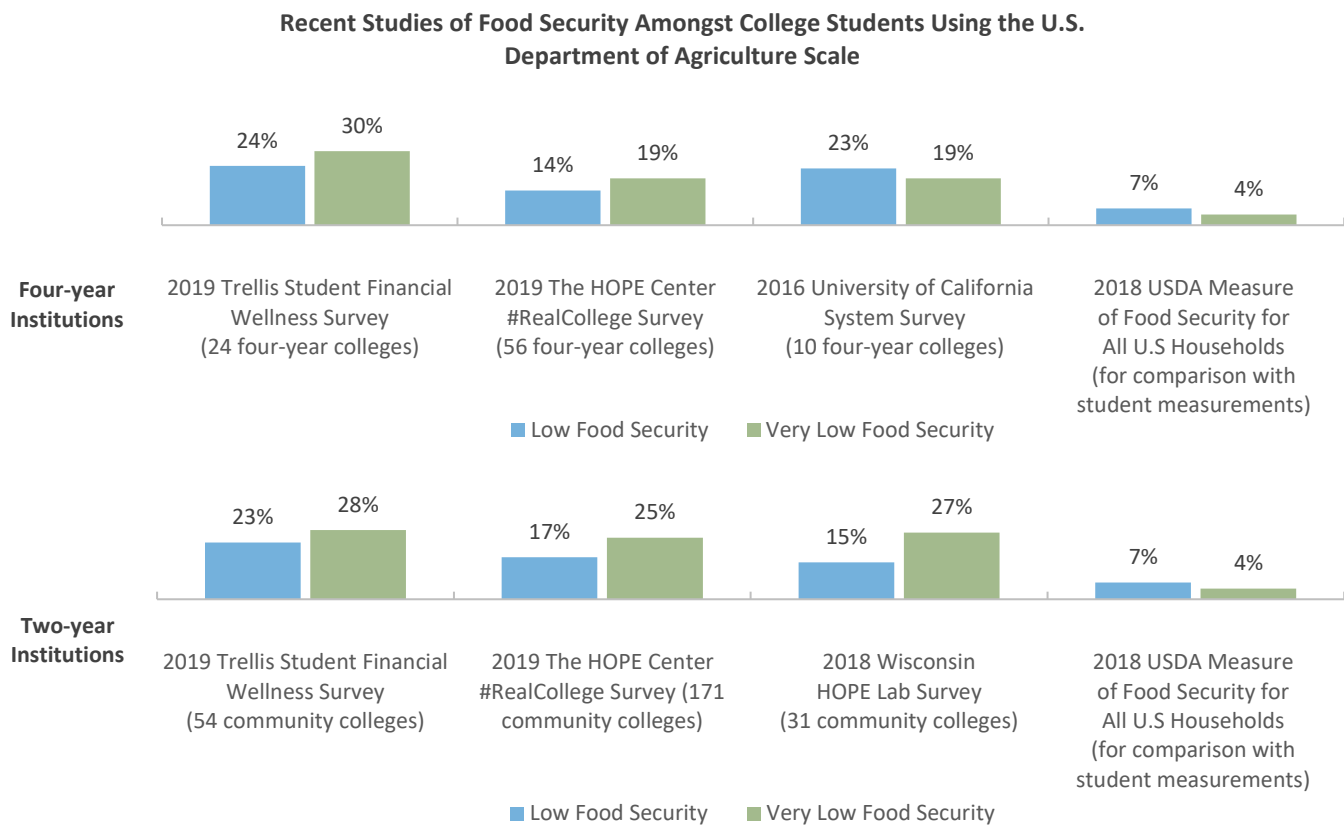
*Excluding private, for-profit institutions

Source: Texas Higher Education Coordinating Board (THECB), "Median Indebtedness by Degree Level and School Group" (unpublished tables; special request).

SECTION 9

Student Financial Wellness

Recent Studies of Food Security Amongst College Students find Similar, High Levels of Food Insecurity



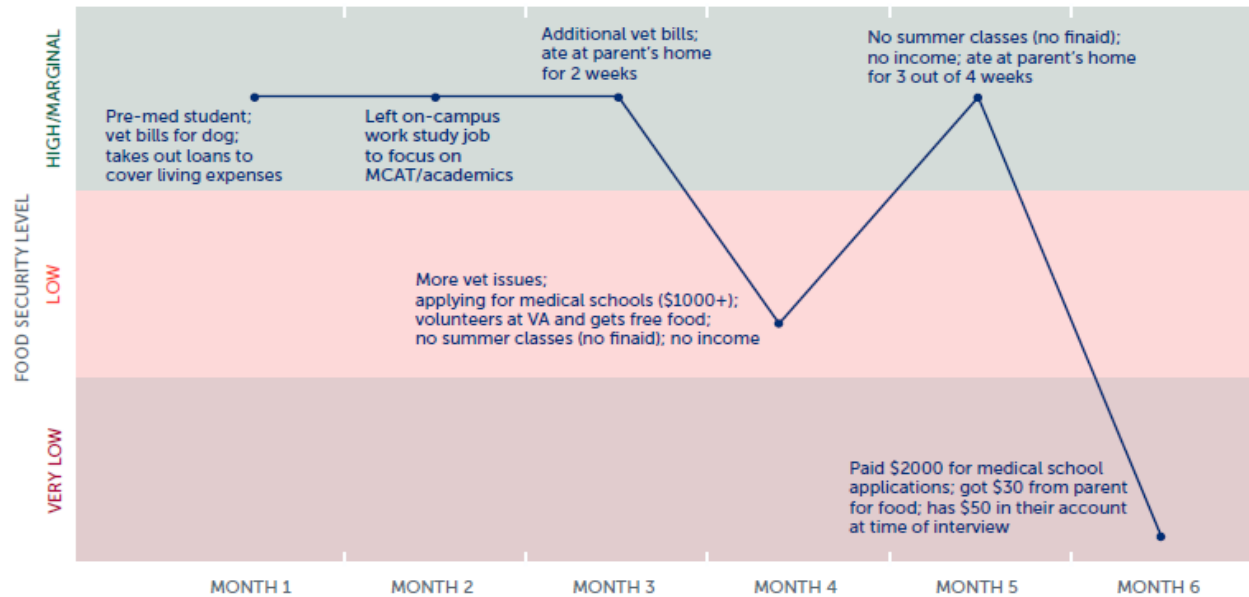
A growing body of research has explored the degree to which postsecondary students are struggling to meet their basic needs, such as housing and food. While more research is needed to explore the extent to which basic needs insecurity affects student success, it is reasonable to assume that students who struggle with hunger, nutrition, and/or finding safe shelter will have a more difficult path to earning a degree. The measurement tool designed by the United States Department of Agriculture (USDA) defines low food security as “reports of reduced quality, variety, or desirability of diet” and very low food security as “reports of multiple indications of disrupted eating patterns and reduced food intake.” While no nationally representative research is available for food insecurity among college students, a number of studies have found similar, troubling levels.

In the Fall 2019 Student Financial Wellness Survey (SFWS) from Trellis Company, researchers found that 54 percent of students at four-year colleges and 51 percent of students at community colleges experience low or very low food security. The survey was open to any college nationwide that wanted to participate, and of the 78 colleges (in 20 states) in the study, 54 were community colleges and 24 were four-year institutions. Greater food insecurity amongst the four-year institution cohort in the Trellis study compared to other studies may be explained by the participating institutions that tended to serve under-resourced students at higher rates than average four-year institutions.

Note: The Trellis survey used the condensed 6-question food security scale while the other surveys used the 10-question version.

Sources: United States Department of Agriculture (USDA). 2017. Definitions of food security. <https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/definitions-of-food-security/>; Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables); Baker-Smith, C. Coca, V. Goldrick-Rab, S. Looker, E. Richardson, B. & Williams, T. (2020). #RealCollege 2020: Five Years of Evidence on Campus Basic Needs Insecurity. The HOPE Center for College, Community, and Justice. https://hope4college.com/wp-content/uploads/2020/02/2019_RealCollege_Survey_Report.pdf; Baker Goldrick-Rab, S., Richardson, J., Schneider, J., Hernandez, A., & Cady, C. (2018). Still Hungry and Homeless in College. Wisconsin HOPE Lab. <https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf>; Martinez, S., Maynard, K., & Ritchie, L. (2016). Student food access and security study. University of California Global Food Initiative. <http://regents.universityofcalifornia.edu/regmeet/july16/e1attach.pdf>; Coleman-Jensen, Alisha, Matthew P. Rabbitt, Christian A. Gregory, and Anita Singh. 2019. Household Food Security in the United States in 2018, ERR-270, U.S. Department of Agriculture, Economic Research Service. <https://www.ers.usda.gov/webdocs/publications/94849/err-270.pdf?v=963.1>

Longitudinal Study of College Students Reveals Fluid Pattern of Food Security



While quantitative surveys differentiate magnitudes of food security and report prevalence at a specific point in time – key metrics for understanding and managing aspects related to student success – they give us little insight into these students’ day-to-day lives. To address this gap, Trellis Company conducted a qualitative study that interviewed 72 students once a month for nine months to better understand the dynamics behind student finances and academic performance. The first report from this effort, *Studying on Empty: A Qualitative Study of Low Food Security among College Students*, examines the lived experiences of 36 students who indicated they experienced low (LFS) or very low food security (VLFS) at least once during the nine-month study. This longitudinal perspective revealed a more fluid, fluctuating pattern of collegiate food security than is commonly understood, where sudden changes in financial stability (e.g., shifts in employment, financial aid, social networks, medical issues, personal budgeting, etc.) degraded or improved a student’s food security.

Over the course of the study, 26 participants experienced a decline in food security from one interview to the next.* Catalysts for degraded food security often included loss of employment, housing disruptions, and loss of financial aid.

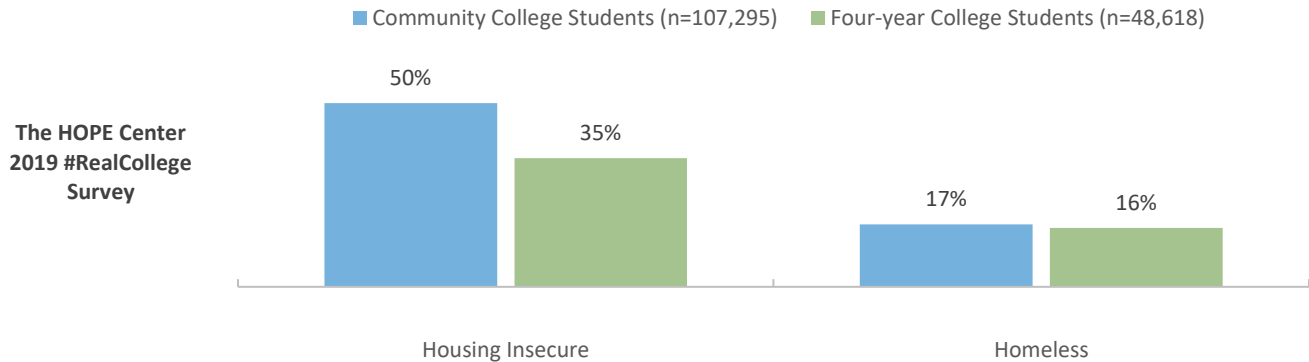
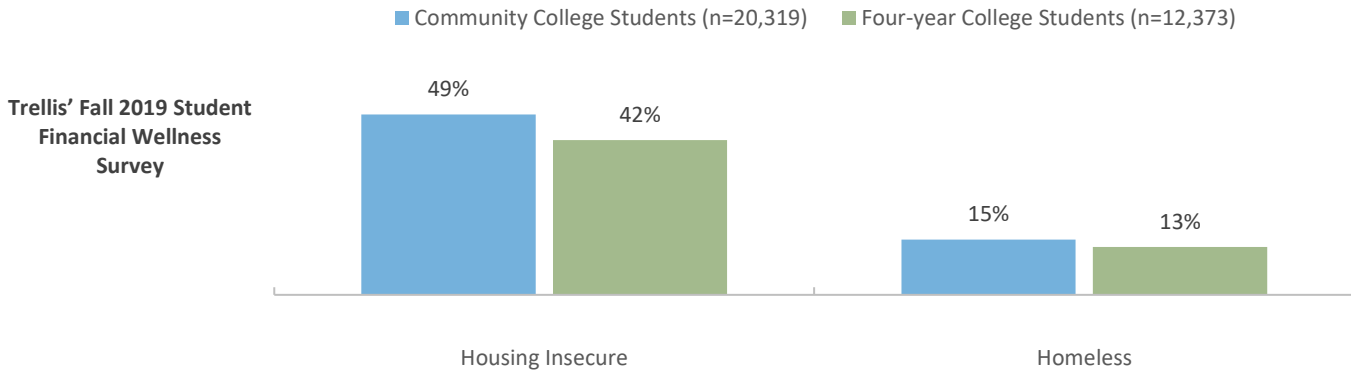
In the case above, a combination of ambitious academic and career goals, costly medical school applications, and recurring veterinary expenses resulted in the student’s level of food security dropping twice. The student was food secure for the first three months of the study and had a restrictive, but attainable, budget. This changed in month four, where food security dropped from high/marginal to low due to a combination of: (1) recurring vet expenses; (2) pricey medical school applications; and (3) leaving her part-time, on-campus job to focus on academics. Fortunately, the student was able to secure free food through volunteering efforts and at her parents’ home. This temporarily increased her food security for one month, but without financial aid or other regular sources of income, her financial and food situation degraded further to very low. By month six, she completely drained her savings after paying over \$2,000 in medical school applications; and although she had received \$30 from a parent for food, she only had \$50 in her bank account at the time of the last interview.

*Researchers are unable to rule out the possibility that declining food security may be explained, in part, by the subjects becoming more comfortable discussing this sensitive topic with interviewers.

Source: Cornett, A., & Webster, J. (2020). Longitudinal Fluidity in Collegiate Food Security: Disruptions, Restoration, and Its Drivers. Trellis Company. Retrieved from: https://www.trelliscompany.org/wp-content/uploads/2020/02/Research-Brief_FSS_Longitudinal-Fluidity.pdf; Fernandez, C., Webster, J., & Cornett, A. (2019). Studying on Empty: A Qualitative Study of Low Food Security among College Students. Trellis Company. Retrieved from: <https://www.trelliscompany.org/wp-content/uploads/2019/09/Studying-on-Empty.pdf>

Almost Half of Community College Students are Housing Insecure

Housing Security and/or Homelessness within Prior Twelve Months at Community and Four-year Colleges



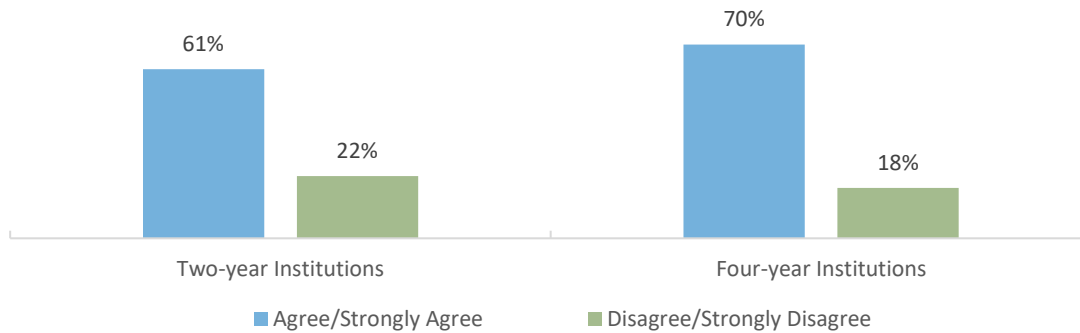
Recent studies by Trellis and the HOPE Center for College, Community, and Justice have found similar, high levels of housing insecurity and homelessness among college students. Being homeless or “without a place to live, often residing in a shelter, an automobile, an abandoned building, or outside” can make an already challenging college experience even more difficult. Housing insecurity, including inability to pay full housing costs and moving in with others due to financial issues, is less severe, but can also make the college experience difficult. As the cost of college rises, basic needs security may become a barrier to success for more students. Some colleges are addressing housing issues with emergency grants, temporary housing, and partnerships with local organizations to provide rental assistance to students.

Trellis' Fall 2019 Student Financial Wellness Survey found 49 percent of community college students and 42 percent of four-year college students experienced housing insecurity in the previous 12 months. The Trellis study found that 15 percent of community college students and 13 percent of four-year students experienced homelessness in that same time period. The survey was open to any college nationwide that wanted to participate, and of the 78 colleges (in 20 states) in the study, 54 were community colleges and 24 were four-year institutions. The 2019 study by the HOPE Center for College, Community, and Justice found similar results as Trellis' Student Financial Wellness Survey.

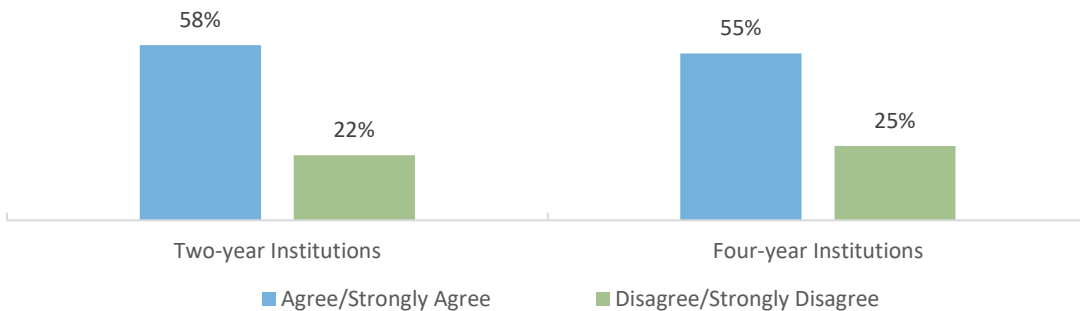
Source: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables); Baker-Smith, C. Coca, V. Goldrick-Rab, S. Looker, E. Richardson, B. & Williams, T. (2020). #RealCollege 2020: Five Years of Evidence on Campus Basic Needs Insecurity. The HOPE Center for College, Community, and Justice. https://hope4college.com/wp-content/uploads/2020/02/2019_RealCollege_Survey_Report.pdf. U.S. News and World Report (February 27, 2018). A New Focus on College Campuses: Ending Housing Insecurity. <https://www.usnews.com/news/education-news/articles/2018-02-27/campus-focus-on-solving-housing-insecurity-helping-homeless-students>.

More Than Half of Students Have Concerns About Affording College

Q51: I worry about having enough money to pay for school.*



Q52: I know how I will pay for college next semester.*



There is growing recognition that the interplay of student collegiate finances and academic performance influences key student outcomes like retention and graduation. It is common practice for a student to develop an academic plan for college, but often there is no accompanying financial plan to help the student plan for the high direct and indirect costs of college. With these costs, those students with financial challenges may find themselves unsure of whether they can or should re-enroll in their next semester.

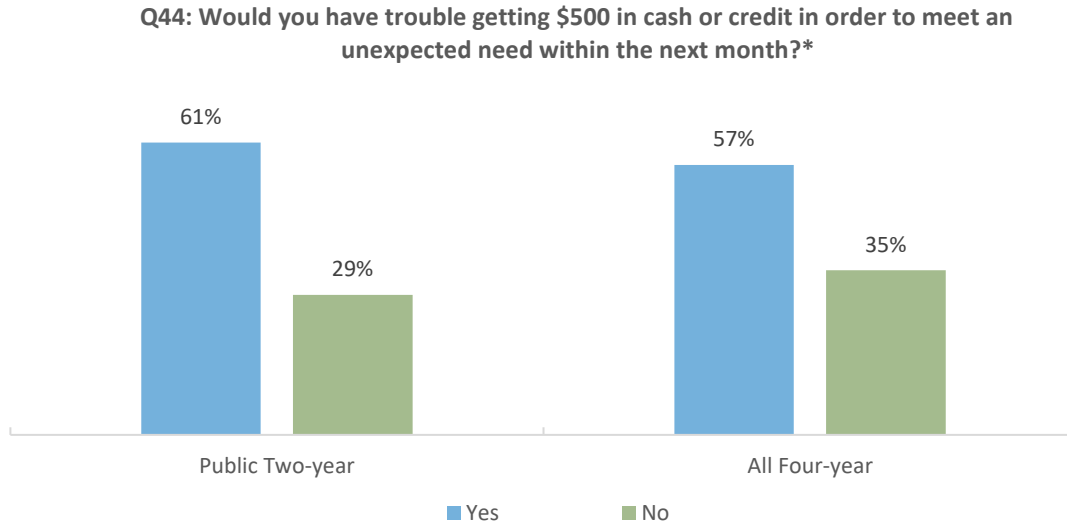
In Trellis' Fall 2019 Student Financial Wellness Survey, many students surveyed signaled concerns about being able to afford college. More than three in five respondents (61 percent) at two-year institutions and 70 percent of respondents at four-year institutions either agreed or strongly agreed that they worry about having enough money to pay for school. Twenty-two percent of respondents at two-year institutions and 25 percent of respondents at four-year institutions either disagreed or strongly disagreed that they knew how they would pay for college next semester.

Note: Trellis's Student Financial Wellness Survey is open to any college nationwide that wants to participate. In the fall 2019 implementation, 78 colleges in 20 states participated – 54 community colleges and 24 four-year institutions. There were 23,684 respondents attending public two-year institutions and 14,804 respondents attending four-year institutions. The results are not nationally representative.

*Responses indicating 'Neutral' are not shown

Source: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables).

The Majority of College Students Would Have Trouble Getting \$500 to Meet an Unexpected Need



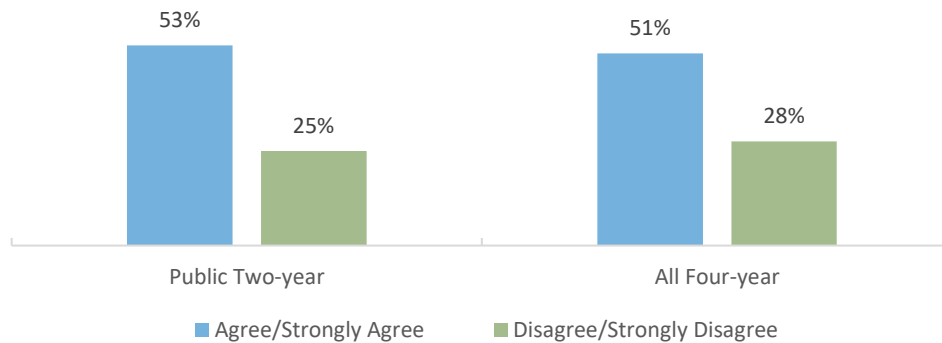
For students on tight budgets, persisting in school often depends on financial plans that go smoothly, as even modest disruptions due to accidents, illness, or unanticipated expenses can impede success. Cash-strapped students face these contingencies with fewer options than their more affluent peers, often engaging in extreme frugality and untenable work schedules that threaten their health and diminish their learning experiences. For students who are financially vulnerable, a relatively small expense can force difficult decisions around staying enrolled in college.

In the Fall 2019 Trellis Student Financial Wellness Survey, more than three in five respondents (61 percent) from two-year institutions and 57 percent of respondents at four-year institutions indicated they would have trouble getting \$500 in cash or credit in an emergency. Given students' financial vulnerability and lower confidence in paying for college, student success initiatives could benefit from financial components such as emergency aid programs that provide small dollar grants to students in financial emergencies. These types of interventions have improved student retention.

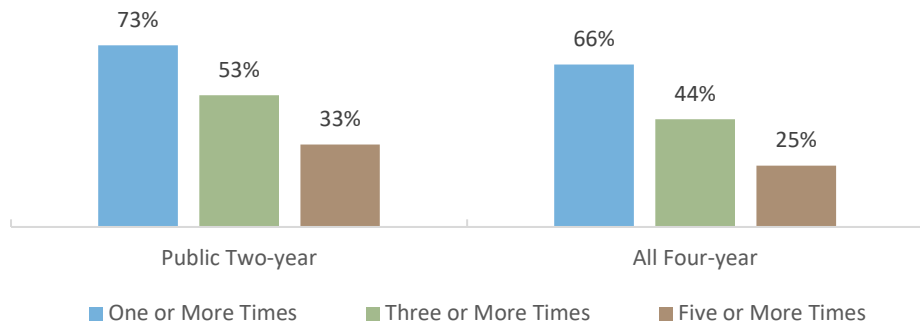
Note: Trellis's Student Financial Wellness Survey is open to any college nationwide that wants to participate. In the fall 2019 implementation, 78 colleges in 20 states participated – 54 community colleges and 24 four-year institutions. There were 23,684 respondents attending public two-year institutions and 14,804 respondents attending four-year institutions. The results are not nationally representative.

More Than Half of Students Express Concern About Affording Monthly Expenses; Most are Running Out of Money at Least Once Annually

Q50: I worry about being able to pay my current monthly expenses.*



Q45: In the past 12 months, how many times did you run out of money?



Some of the anxiety around paying for school may be driven by students' concern for their day-to-day expenses. In the Fall 2019 Trellis Student Financial Wellness Survey, more than half of respondents – 53 percent at two-year institutions and 51 percent at four-year institutions – worried to some degree about paying for their current monthly expenses.

It takes careful planning for students to meet their expenses and manage a limited, often uncertain, cash flow while attending school. Nearly three-quarters of respondents (73 percent) at two-year institutions – and a third of respondents at four-year institutions – reported running out of money at least once in the past 12 months. Alarming, a third of respondents at two-year institutions and a quarter of respondents at four-year institutions reported running out of money at least five times in the past 12 months.

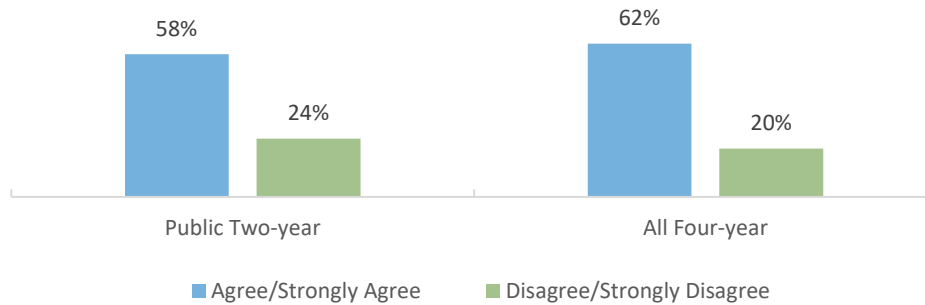
Note: Trellis's Student Financial Wellness Survey is open to any college nationwide that wants to participate. In the fall 2019 implementation, 78 colleges in 20 states participated – 54 community colleges and 24 four-year institutions. There were 23,684 respondents attending public two-year institutions and 14,804 respondents attending four-year institutions. The results are not nationally representative.

*Responses indicating 'Neutral' are not shown

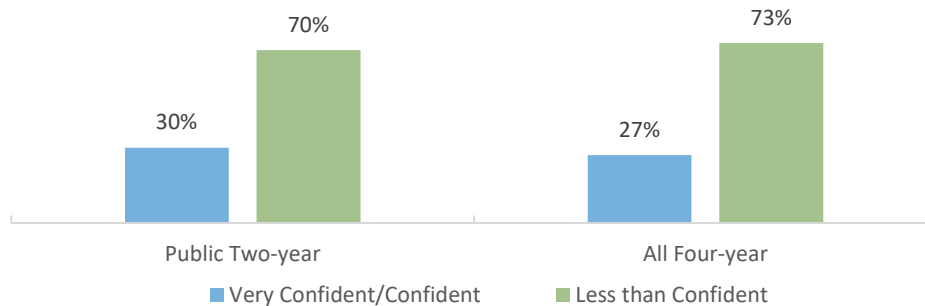
Source: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables).

More Than Two-thirds of Students are Less Than Confident They Can Pay Off the Debt Acquired

Q69: I have more student loan debt than I expected to have at this point. (of those who indicated having a student loan they took out for themselves)



Q70: How confident are you that you will be able to pay off the debt acquired while you were a student? (of those who indicated having a student loan they took out for themselves)*



Paying for college often involves piecing together money from a variety of sources, including federal, state, institutional, and private grants, family support, personal income, savings, and various loan products. Research indicates that half of all students borrow in their first year of college, and half of the remaining students borrow within six years of enrolling.

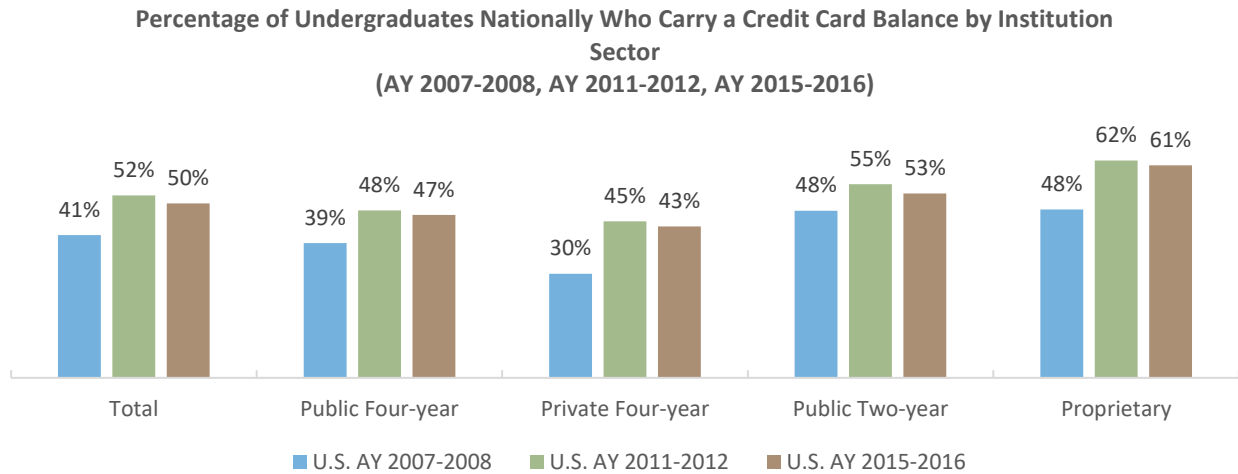
Estimating college expenses can be difficult, especially for students who are the first in their families to attend college. In the Fall 2019 Trellis Student Financial Wellness Survey, more than half of respondents who borrowed (58 percent) at two-year institutions and 62 percent of respondents at four-year institutions agreed or strongly agreed with the statement that they had more student loan debt than they expected at this point. Many students borrow with no confidence in their ability to repay. More than two-thirds of respondents who borrowed (70 percent) at two-year institutions and 73 percent of respondents at four-year institutions were not at all confident or only somewhat confident they would be able to pay off the debt acquired while they were a student.

Note: Trellis's Student Financial Wellness Survey is open to any college nationwide that wants to participate. In the fall 2019 implementation, 78 colleges in 20 states participated – 54 community colleges and 24 four-year institutions. There were 23,684 respondents attending public two-year institutions and 14,804 respondents attending four-year institutions. The results are not nationally representative.

*Responses indicating 'Neutral' are not shown

Sources: Klepfer, K. Cornett, A. Fletcher, C. & Webster, J. Student Financial Wellness Survey: Fall 2019 (unpublished tables); Gladieux, L., & Perna, L. (2005). "Borrowers Who Drop Out: A Neglected Aspect of the College Student Loan Trend." The National Center for Public Policy and Higher Education.

Students at Proprietary Institutions Most Likely to Carry Outstanding Credit Card Balance

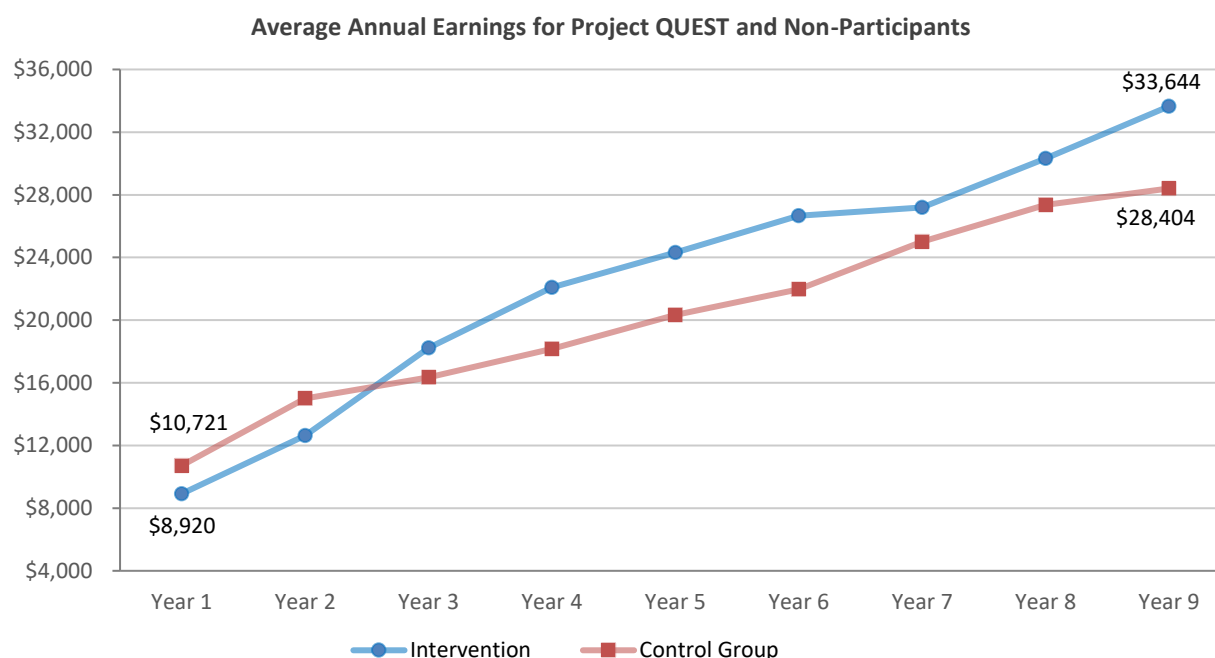


Students at public two-year and at proprietary institutions were more likely to carry a credit card balance, incurring added costs in the form of interest, compared to students attending four-year public or nonprofit institutions. Undergraduates in all sectors were considerably more likely to carry credit card debt in award year (AY) 2011-2012 and AY 2015-2016 than in AY 2007-2008. This increase likely has several causes: more expensive tuition costs, reductions in funding for state and institutional aid programs, and economic factors like low wages. As of AY 2011-2012, 52 percent of undergraduates nationally carried balances on their credit cards.

SECTION 10

Evidence-Based Programs and Interventions

Interventions to Provide Support and Skills Training Improves Employment Outcomes for Students in Some Two-year Programs



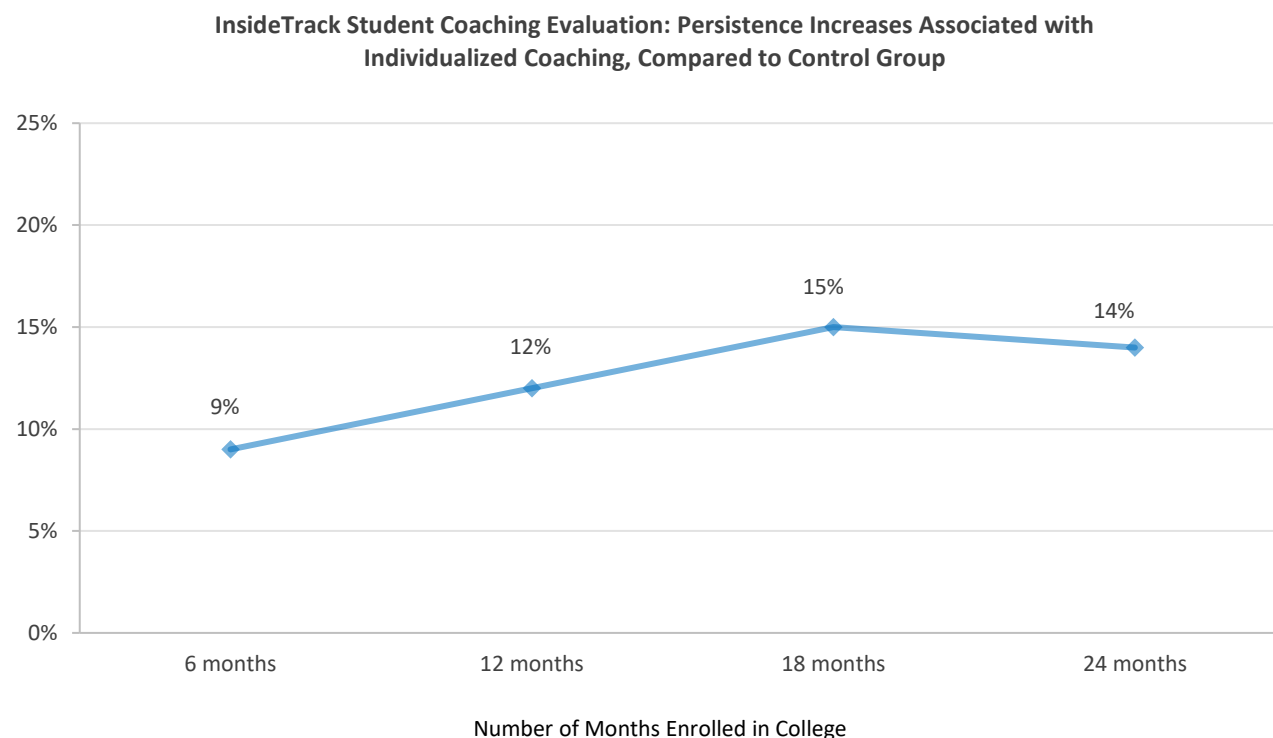
Given cost pressures at colleges, identifying interventions that can have the greatest impact on student success is vital. Research using random controlled trials provides meaningful insight into the extent to which various interventions are effective in promoting desired outcomes.

Project QUEST is a San Antonio, Texas organization aimed at helping low-income residents complete job-focused higher education programs and become gainfully employed. The organization provides students in specific technical and skill-based programs with a comprehensive suite of support and resources including financial assistance, remedial instruction for placement tests, personal and academic counseling, weekly meetings with a focus on life and study skills, and job placement assistance throughout the student's time pursuing a degree and employment.

In order to evaluate the effectiveness of these resources, Project QUEST conducted a randomized trial among students who started services with Project QUEST between 2006 and 2008 and followed them for six years. In 2017, the study was extended to assess the impact on participant's earnings, educational attainment, and public benefits usage in the nine years following random assignment. The evaluation focused on those pursuing skilled technical positions in medical fields (e.g., registered nurses, licensed vocational nurses, sonography technicians, etc.). Students who completed the program saw long-term gains in wages and employment, with participants earning over \$5,000 more than the control group annually, on average, and experiencing a 15 percent higher level of year-round employment compared to the control group.

Source: Project QUEST, Nine Year Gains: Project QUEST's Continuing Impact, April 2019 (https://questsa.org/quest_impact/).

Individualized Coaching is Effective for Increasing Attainment and Persistence



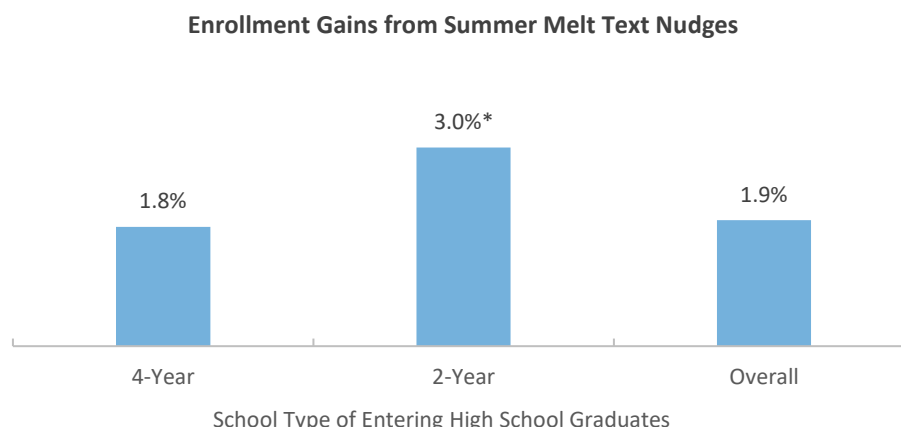
A Portland-based company, InsideTrack, contracts with higher education institutions in all sectors to provide individualized student coaching to improve student success. The company conducted randomized trials at multiple institutions where they randomly divided students at a school into two groups, providing coaching to one group and not to the other, in order to observe the effect of the coaching experience on retention and graduation. The National Bureau of Education Research evaluated many of those experiments, selecting those from the 2003-04 school year, to enable comparisons with certain national survey data, and the 2007-08 school year, as the most current year available at the time of evaluation.

The evaluation found that, when controlling for covariates (i.e. age, gender, high school GPA, SAT score), individualized coaching was associated with an approximately five percent increase in retention after six months, a 12 percent increase after 12 months, and a 14 percent increase after 24 months compared to the control group. Groups receiving coaching also saw levels of completion four percent higher than groups who did not receive coaching.

Individualized student coaching, in addition to more traditional advising financial and academic advising and counseling, has the potential to increase persistence and attainment rates and was more cost effective, in the case of this InsideTrack evaluation, than other previously studied methods of increasing attainment, such as increasing financial aid.

Source: Bettinger and Baker, The Effects of Student Coaching: An Evaluation of a Randomized Experiment in Student Advising, March 2014 (<http://journals.sagepub.com/doi/abs/10.3102/0162373713500523>).

Text Nudges Provide Needed “Summer Melt” Intervention at a Low Cost



At times, colleges want to provide outreach and interventions to a large number of students in order to improve certain outcomes, such as retention and graduation, but often have limited resources. Sending text messages with targeted messaging at key intervals, commonly referred to as “text nudges,” offer an empirically tested method for positively influencing students along a variety of outcome variables. Text nudges have been found to be effective in combatting attrition during the summer following initial enrollment, known as summer melt,** for as little as two dollars per student included in the texting campaign. Text nudges can be more easily scaled to a larger student population compared to more robust interventions such as phone calls or advising sessions, which, while typically effective, tend to be more labor intensive.

Researchers from the University of Virginia and the University of Pittsburgh conducted randomized controlled trials in 2012 at three high schools. The students in the experimental groups received text messages reminding them about college-related deadlines or required tasks (e.g. reminders to access important paperwork and register for orientation). These text nudging interventions were designed to increase the percentages of college-bound high school graduates that matriculate in the fall.

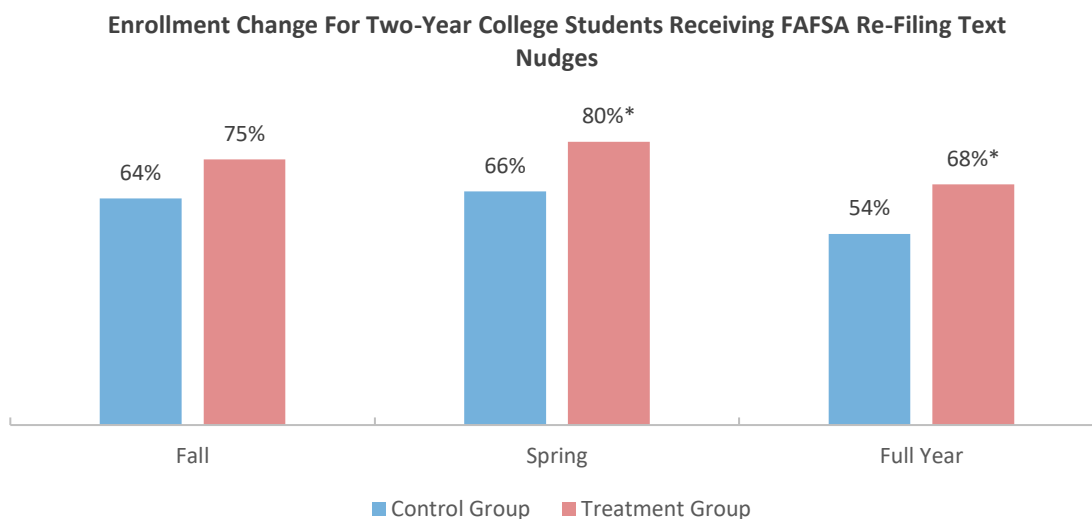
The text nudges were found to be effective for students with moderate GPAs, students who were enrolling in a two-year program, students enrolled in free or reduced-price lunch programs, students with unspecified college plans, and students who had not completed the FAFSA. Two-year programs experienced a statistically significant increase in enrollment with an increase of three percent. This suggests that summer melt text nudges are most effective for groups that may have limited access to other quality college information sources and represent a cost-effective intervention, but may be insufficient when used alone for many groups of students.

*Statistically significant at the 0.05 level ($p < 0.05$).

**Summer melt is a term used to describe the occurrence of students indicating their intent to attend a college in the fall but then ultimately not matriculating. Some have defined this term as only including those who did not matriculate at any college while others have defined it as specific to an institution. Students may indicate their intent to attend college through various activities such as expressly saying so on a form to a counselor, paying college deposits, and registering for classes. The activities used to determine intent depend upon the definition being used for summer melt. For the purposes of this study, the researchers used information on students’ expressly stated intentions to attend college and defined summer melt as “the phenomenon that college-intending high school graduates fail to matriculate in college anywhere in the year following high school.”

Source: Summer Nudging: Can personalized text messages and peer mentor outreach increase college going among low-income high school graduates? Castleman, B. and Page, L., Journal of Economic Behavior and Organization (2015), (<https://www.sciencedirect.com/science/article/pii/S0167268114003217>).

Text Nudges Can be Used to Improve Two-year Outcomes During a Student's Academic Career



The sending of targeted messaging via text messages at key intervals is commonly referred to as a “text nudge”. Text nudges have been found to have positive effects in facilitating increased rates of annual FAFSA completion, and in promoting retention and attainment, for a minimal cost to the institution. A series of studies on text nudges used in varying contexts have suggested that text nudges may provide a low-cost alternative or supplement to other more intensive, and expensive, methods of outreach during a student’s academic career, but are limited in effectiveness for some groups of students.

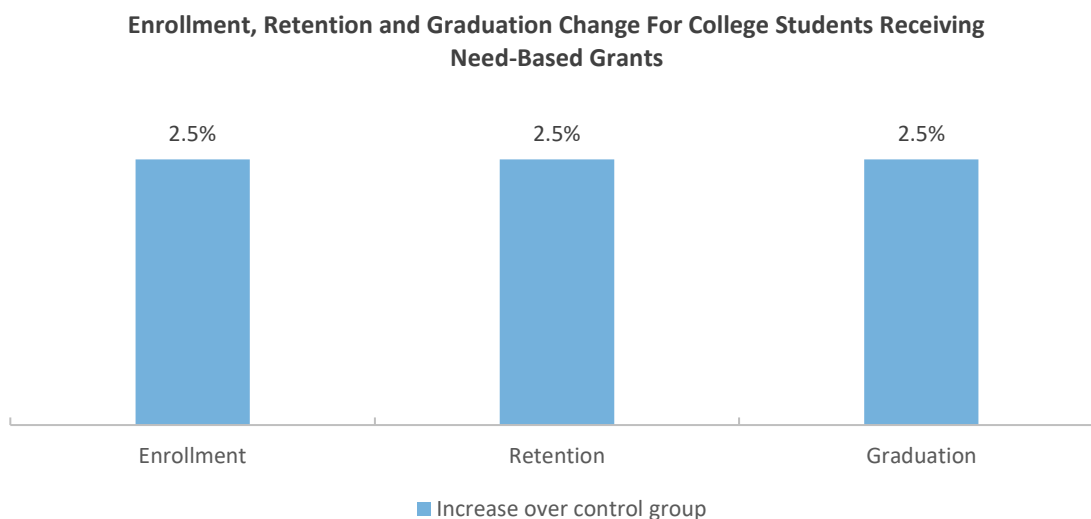
Researchers from the University of Virginia and the University of Pittsburgh used a randomized controlled trial design to examine the impact of text nudges on FAFSA re-filing rates among college freshmen. Text nudges containing information on where to obtain help with financial aid, important deadlines and requirements, and offering assistance related to financial aid and were sent to a randomly assigned group of community college freshmen during the 2012-13 academic year. Outreach took place over the course of approximately seven months with messages approximately every two weeks. Text nudges designed to provide important information and prompting concerning annual refiling of FAFSA have been found to be highly effective among community college students. Freshman community college students who received text nudges were nearly 12 percent more likely to persist into the fall of their sophomore year and were 14 percent more likely to persist into the spring.

Text messages represent a viable cost-effective option and are a valuable tool as part of a set of strategies to impact academic accessibility, persistence, and attainment; however, used alone, text nudges are likely to be inadequate for the overall student population. While impacts are substantial in some cases, effects are consistently limited to specific groups of students, often those with low availability of resources.

*Statistically significant at the 0.05 level ($p < 0.05$).

Source: Freshman year financial nudges: An experiment to increase FAFSA renewal and college persistence. Castleman, B. and Page, L., Journal of Human Resources (2016), (<http://jhr.uwpress.org/content/51/2/389.short>).

Need-Based Grants Increase Retention, Graduation, and Enrollment



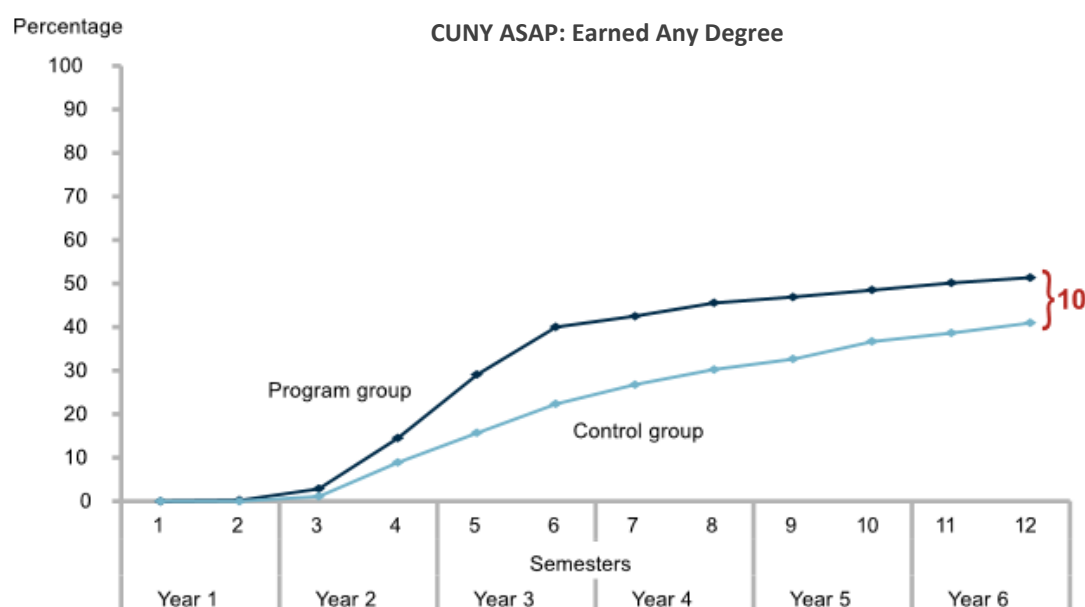
A metanalysis by Snevers and DeWitt (2018) of ten recent studies examined the effects of need-based grants on enrollment, retention, and graduation. This analysis demonstrated overall positive effects of need-based grants across the three outcomes measured in all studies. While these effects were small, they were strongly significant.

More granularly, the study found that need-based grants had a small positive impact on enrollment across studies in different educational contexts and multiple countries. Enrollment among those receiving grants increased by 2.5 percent compared to the control group. When looking at retention, the study similarly found a small but significant positive impact from need-based grants. When compared to their peers, the recipients of need-based grants were 2.5 percent more likely to be retained. This effect was again seen across all studies included in the analysis.

Finally, the results indicated that need-based grants have a positive effect on students ultimately graduating, but not necessarily within the ideal time to degree, such as four years for a bachelor's degree. Students who received grants were significantly more likely to graduate when looking at longer time to degree; however, no significant results were found for graduation rates within the ideal time to degree. The authors note that this seems to indicate that the effects of need-based grants may be delayed or may increase over time.

Evaluations of Community College Program for Low-Income Students Find Positive Results

In 2007, the City University of New York (CUNY) launched the Accelerated Study in Associate Programs (ASAP) with the aim to improve graduation rates among low-income students. The program provided services, such as tutoring and individual advising, and financial assistance with public transportation, textbooks, and tuition. An evaluation of the program found that retention rates, credit accumulation, and graduation rates were significantly increased among program participants as compared to a control group. The program group had a graduation rate that was nearly double that of the control group after three years (40 percent vs 22 percent) and was still 10 percentage points higher than the control group after six years (51 percent vs 41 percent), showing that the program both increased the graduation and helped students graduate at a faster rate.



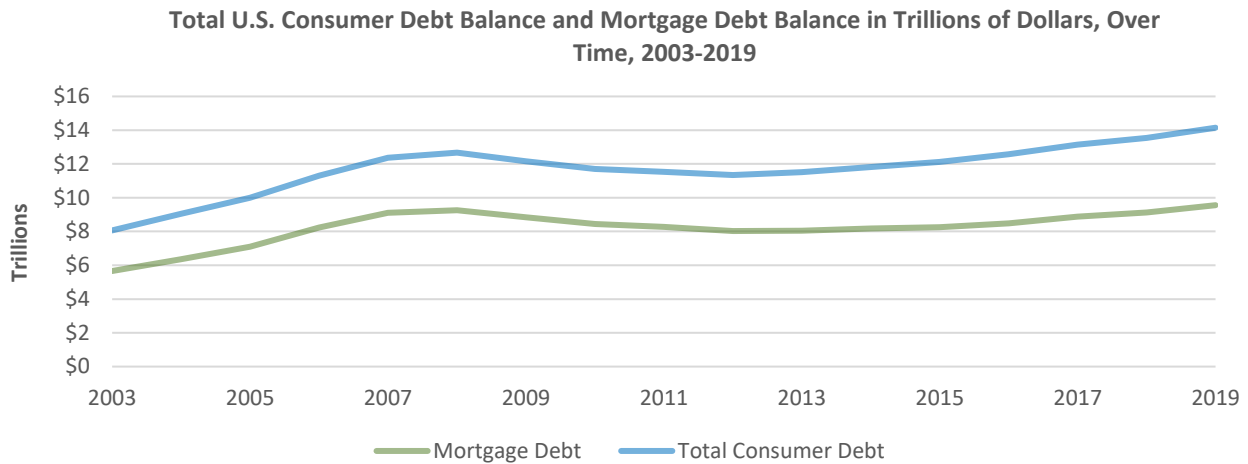
The ASAP model was replicated by MDRC as a demonstration project in 2014 at three Ohio community colleges. An evaluation of the Ohio ASAP found similar results to CUNY. Retention rates, credit accumulation, and graduation rates were all significantly higher among program participants as compared to the control groups. As with the CUNY ASAP, the Ohio ASAP saw the graduation rate nearly double among program participants compared to the control group after three years (35 percent vs. 19 percent). Program participants also transferred to four-year institutions at higher rates than their peers in the control group (18 percent vs. 12 percent). Though there are slightly higher costs associated with implementing a program like ASAP than typical services, these evaluations demonstrate the real-world benefits and can help inform conversations about costs and the return on investment.

Sources: MDRC, The Power of Fully Supporting Community College Students: The Effects of the City University of New York's Accelerated Study in Associate Programs After Six Years, October 2017 (<https://www.mdrc.org/publication/power-fully-supporting-community-college-students>); MDRC, Doubling Graduation Rates in a New State: Two-Year Findings from the ASAP Ohio Demonstration, December 2018 (https://www.mdrc.org/sites/default/files/ASAP_brief_2018_Final.pdf); MDRC, Increasing Community College Graduation Rates with a Proven Model: Three-Year Results from the Accelerated Study in Associate Programs (ASAP) Ohio Demonstration (https://www.mdrc.org/sites/default/files/ASAP_OH_3yr_Impact_Report_1.pdf).

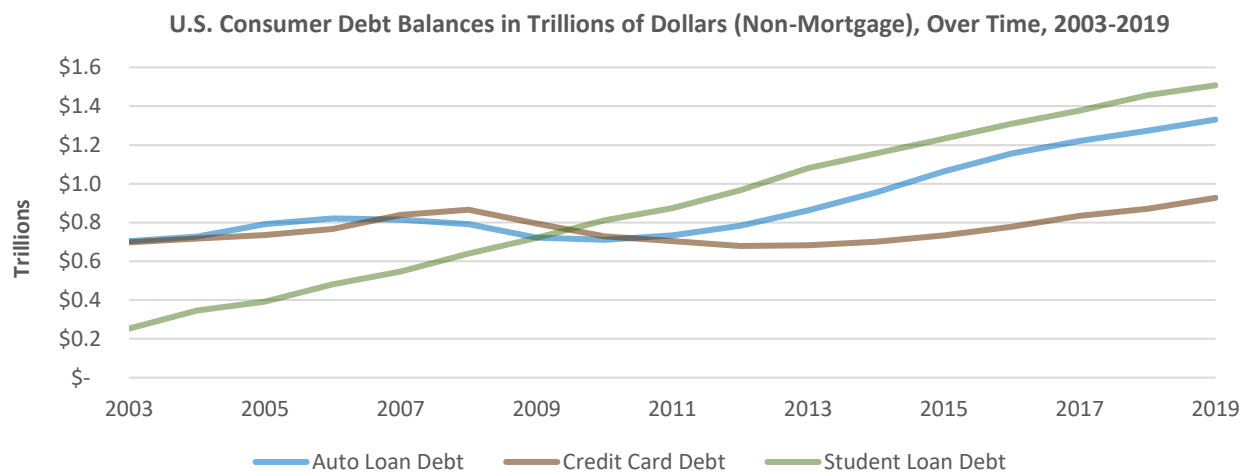
SECTION 11

Consumer Debt

Total U.S. Consumer Debt Reaches \$14.2 Trillion, Student Loan Debt \$1.5 Trillion

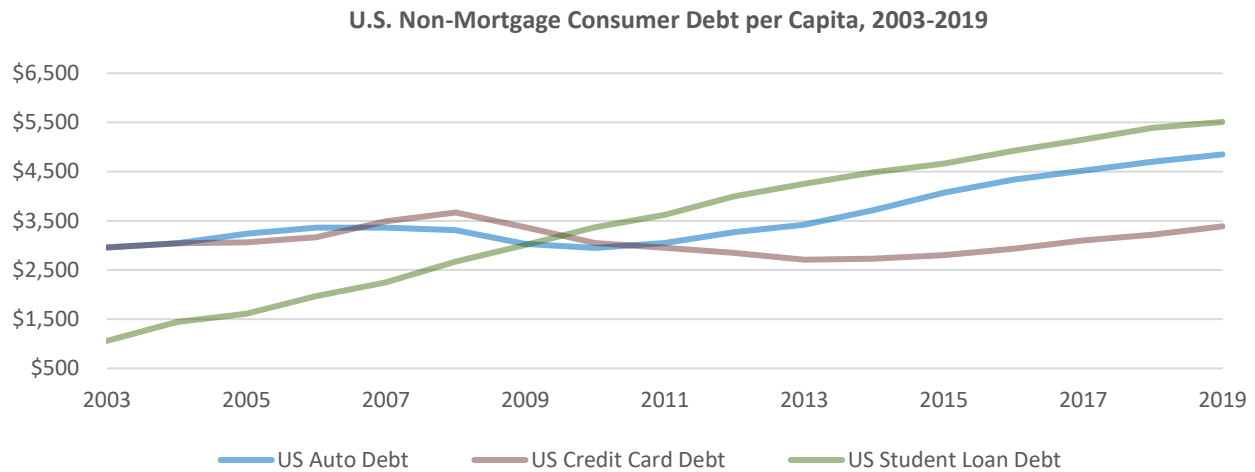


Total U.S. consumer debt – including mortgage, credit card, student loan, auto, and other debt – reached more than \$14.2 trillion in 2019. This is an increase of about \$6.1 trillion since 2003. Mortgage debt is the largest form of consumer debt, at nearly \$9.6 trillion in 2019. Debt spiked leading up to and during the economic recession a decade ago, but total consumer debt reached even higher levels than that in 2019.

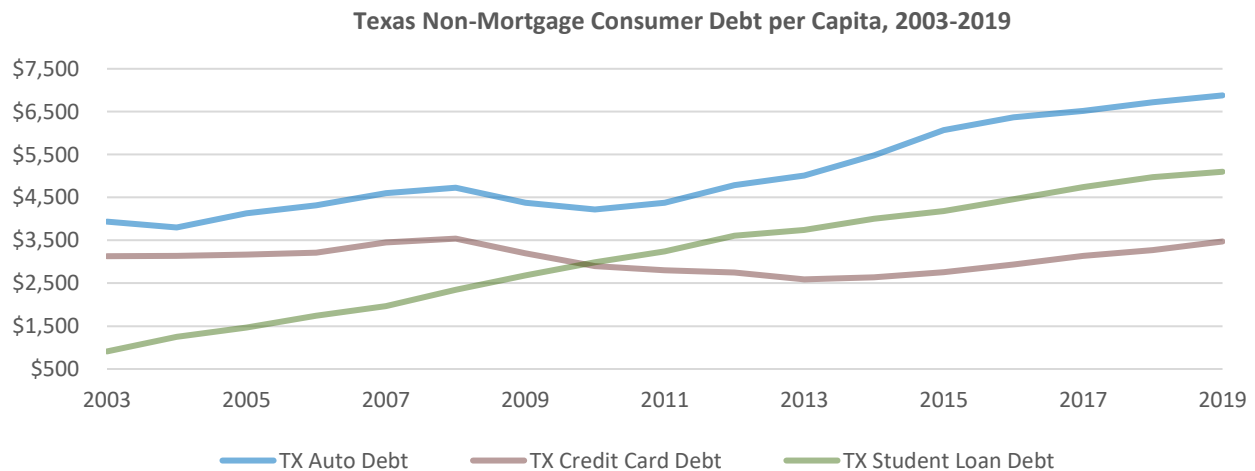


With a total of \$1.5 trillion in 2019, student loan debt is the second largest form of consumer debt behind mortgages. It surpassed both auto and credit card debt in 2010 and has continued to rise. In fact, since 2003 student loan debt has increased by almost \$1.3 trillion.

Unlike the Nation, Texas Student Debt per Capita has not Surpassed Auto Debt

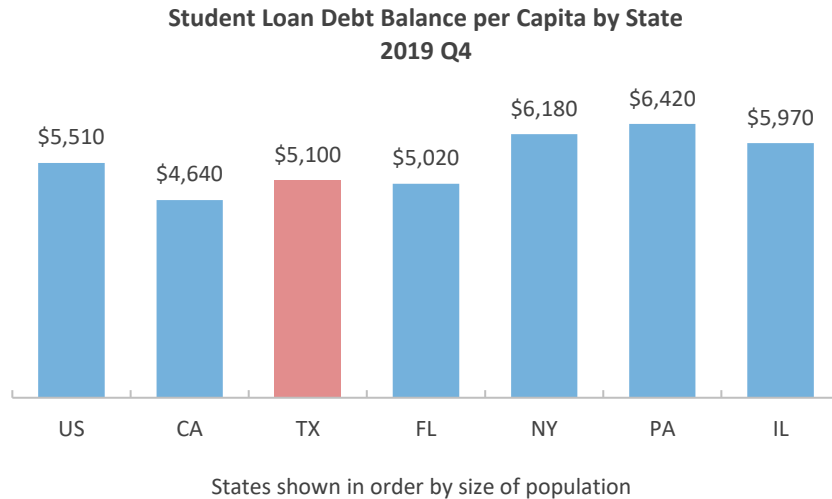


Mortgage debt is still the largest form consumer debt in the nation at \$34,790 per capita in 2019. However, amongst the other forms of consumer debt, student loan debt became the second largest in 2010 – overtaking auto and credit debt – and has continued to rise.

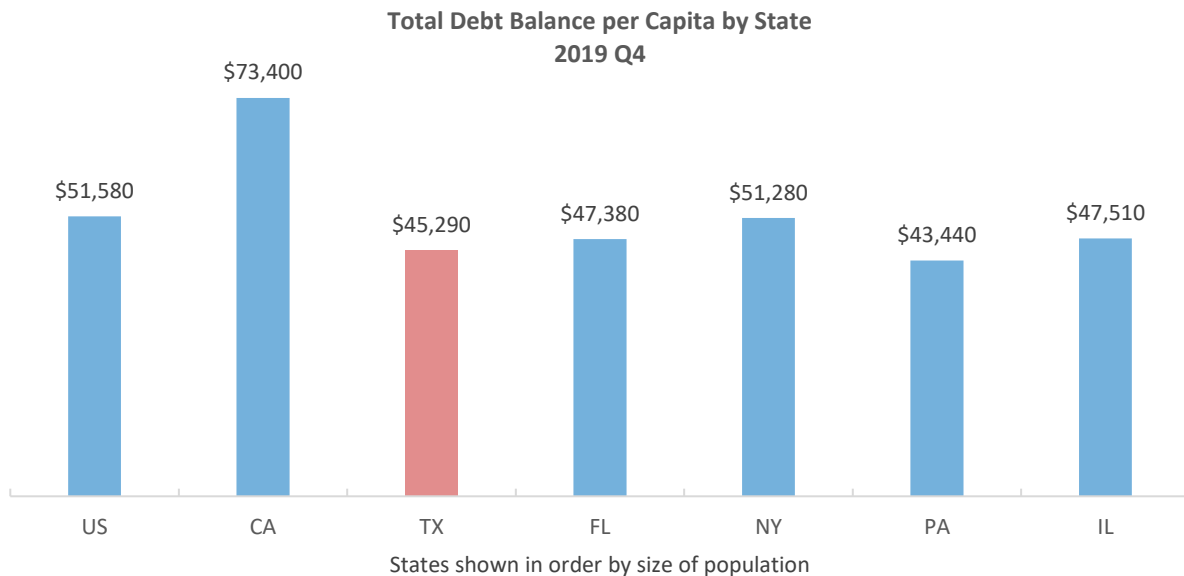


In Texas, mortgage debt is also the largest form of consumer debt, at \$27,450 per capita in 2019. Amongst the other forms of consumer debt, student loans surpassed credit debt in 2010, but has not surpassed auto debt. Texas auto debt per capita in 2019 was \$6,880.

Texas Student Loan Balance Per Capita Lower Than National Average



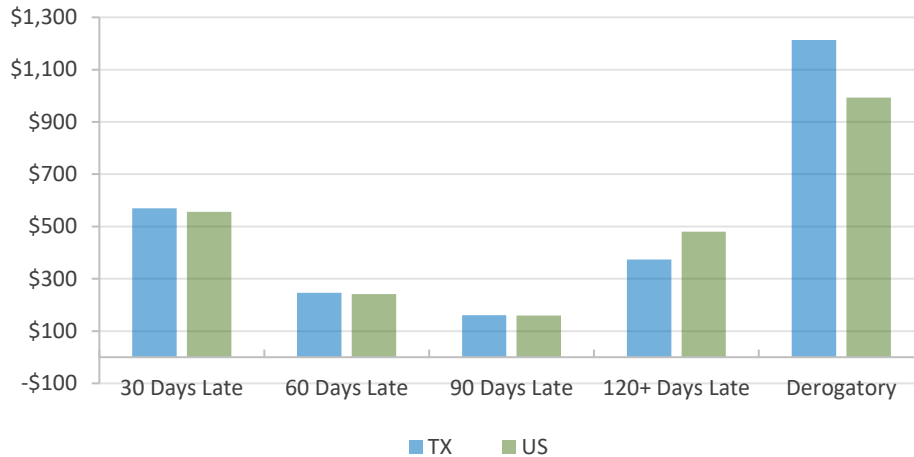
In the last quarter of 2019, Texans had a per capita student loan debt balance of about \$5,100, lower than the national balance of \$5,510. Texas has the third lowest student loan debt balance among the six largest states. Student loans in this analysis include loans to finance educational expenses provided by banks, credit unions and other financial institutions as well as federal and state governments.



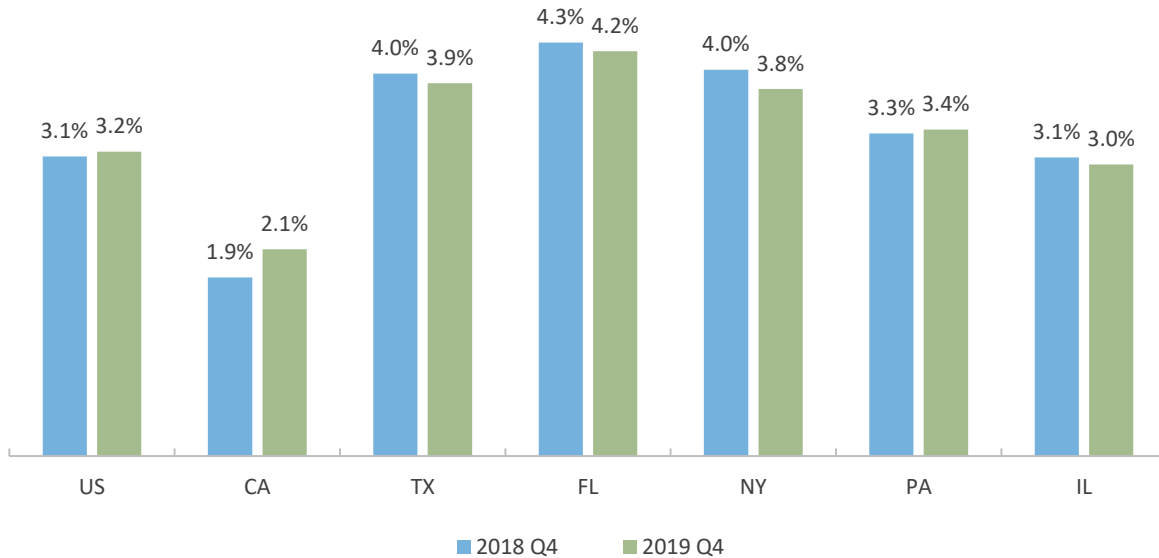
With a per capita average of \$45,290 in debt, Texans have the second lowest debt balance among the six largest states and the national average. This debt profile includes mortgage accounts, home equity revolving accounts, auto loans, bankcard or credit card accounts, student loans, and other loans (such as consumer finance and retail loans).

Texas Has Similar Rates of Delinquency on Household Debt Compared to the Nation

**Delinquency Status of Debt per Capita by State
 2019 Q4**



**Percentage of Balance 90+ Days Late by State
 2018 and 2019**

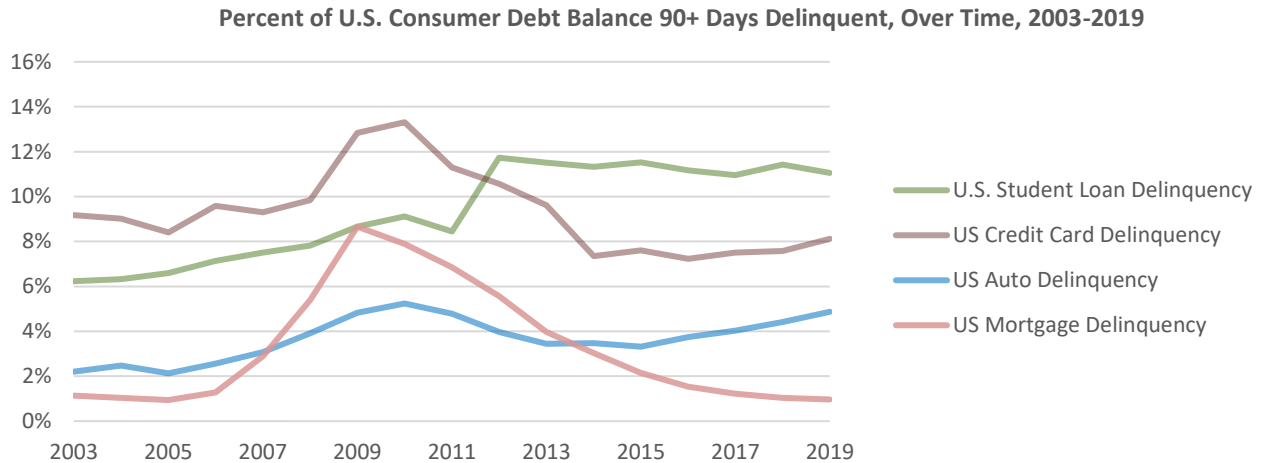


The dollar amounts of debt per capita in each stage of delinquency were similar when comparing Texas and the US. The percentage of the debt balance that is severely delinquent – that is, 90 or more days late – increased for the nation and two of the largest states (California and Pennsylvania) in Q4 of 2019 compared to Q4 of 2018. Texas has the second highest percentage of severely delinquent borrowers among the six largest states and it is higher than the overall US percentage.

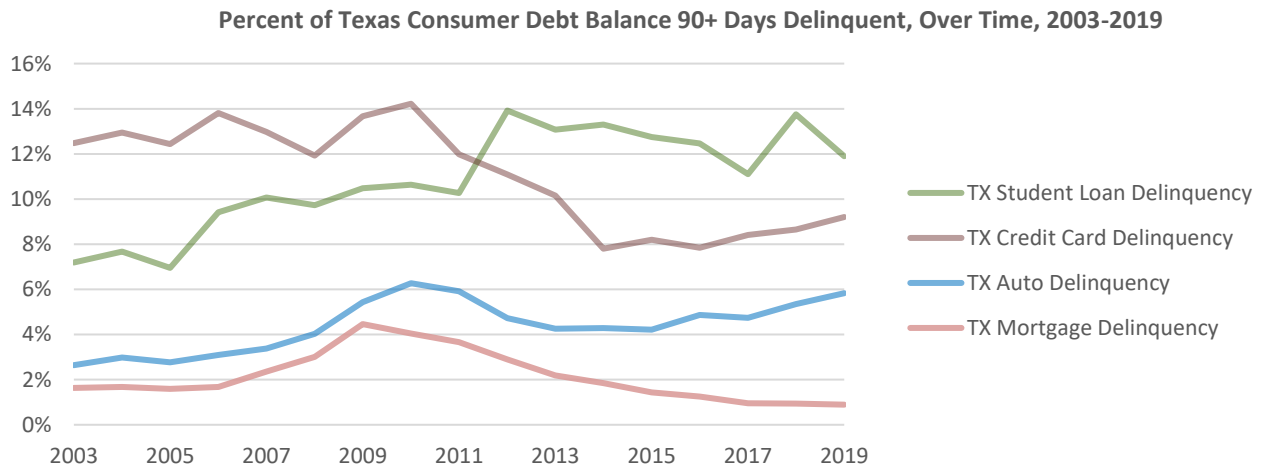
Note: The Derogatory delinquency status includes a person with any level of delinquency combined with repossession, charge off to bad debt, or foreclosure.

Source: Federal Reserve Bank of New York, The Center for Microeconomic Data, Data & Reports, 2019 Q4 (<https://www.newyorkfed.org/microeconomics/data.html>).

Severe Delinquency for Student Loan Borrowers Surpassed Credit Cards in 2012 in Texas and the Nation

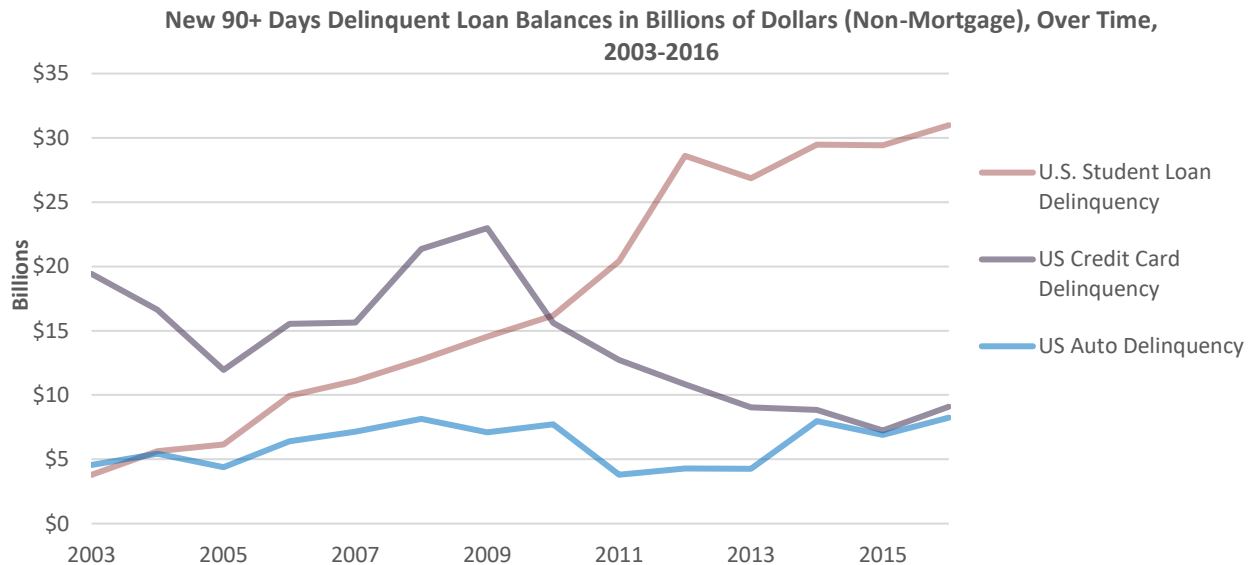


The percentage of debt that is severely delinquent – 90 or more days late – has shifted by debt type over time. Nationally, severe student loan debt delinquency overtook credit card delinquency in 2012 to have the highest percentage of severely delinquent borrowers. Most student loans are made by the federal government as entitlements and have no credit rating requirement for borrowers. While severe mortgage debt delinquencies grew during the Great Recession, it fell below auto debt in 2014 and now has the lowest percentage of severely delinquent borrowers, at 0.96 percent in 2019.



In Texas, severe student loan debt delinquency surpassed credit cards in 2012. In 2019, 11.9 percent of student loan borrowers and 9.2 percent of credit card borrowers were 90 or more days delinquent. Unlike the nation, the percentage of severely delinquent mortgage borrowers never surpassed auto debt, even during the Great Recession.

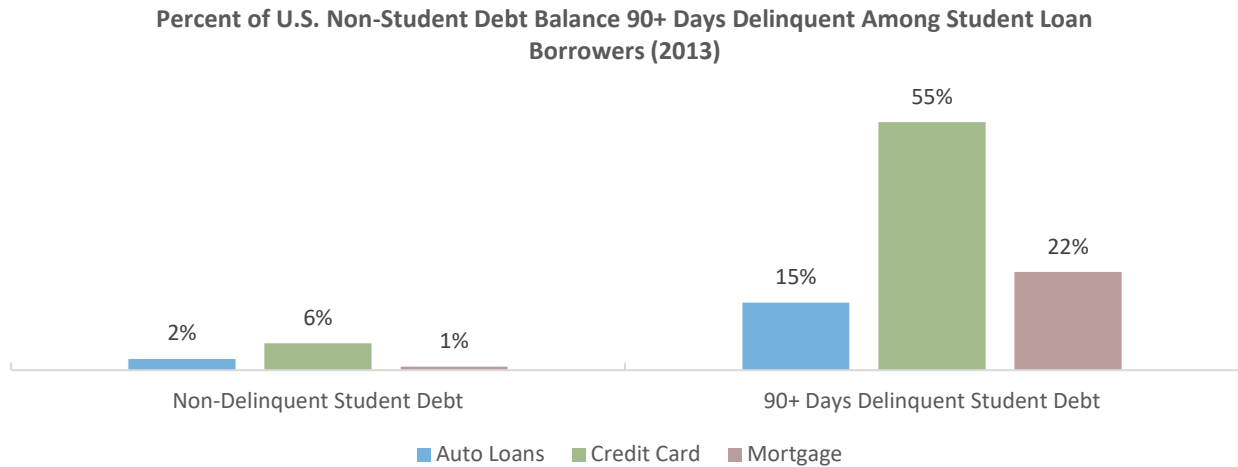
Delinquent Balances for Student Loan Debt Have Increased Over Time, While They Have Decreased for Credit Card Debt



In pure dollar magnitude of new severe debt delinquency – 90 or more days late – mortgages have the largest balances at \$45.8 billion in 2016. Amongst the other forms of consumer debt, the balances of student loan delinquency are far greater than auto and credit card debt. In 2016, new 90+ day student loan delinquencies totaled \$31 billion, credit card delinquency totaled \$9.1 billion, and auto debt delinquency was \$8.2 billion.

Over time, the balances of severely delinquent accounts have shifted dramatically. In 2003, the balances for new, severely delinquent student loans were the lowest amongst the forms of consumer debt at \$3.8 billion, lower than for auto loans (\$4.6 billion in 2003). Since then there has been a substantial increase in the balance amount of new student loan delinquencies. In 2010, it surpassed credit card as the second highest severe delinquency balance after mortgages. Severe credit card delinquency balances have decreased from a high of \$23 billion in 2009, to \$9.1 billion in 2016.

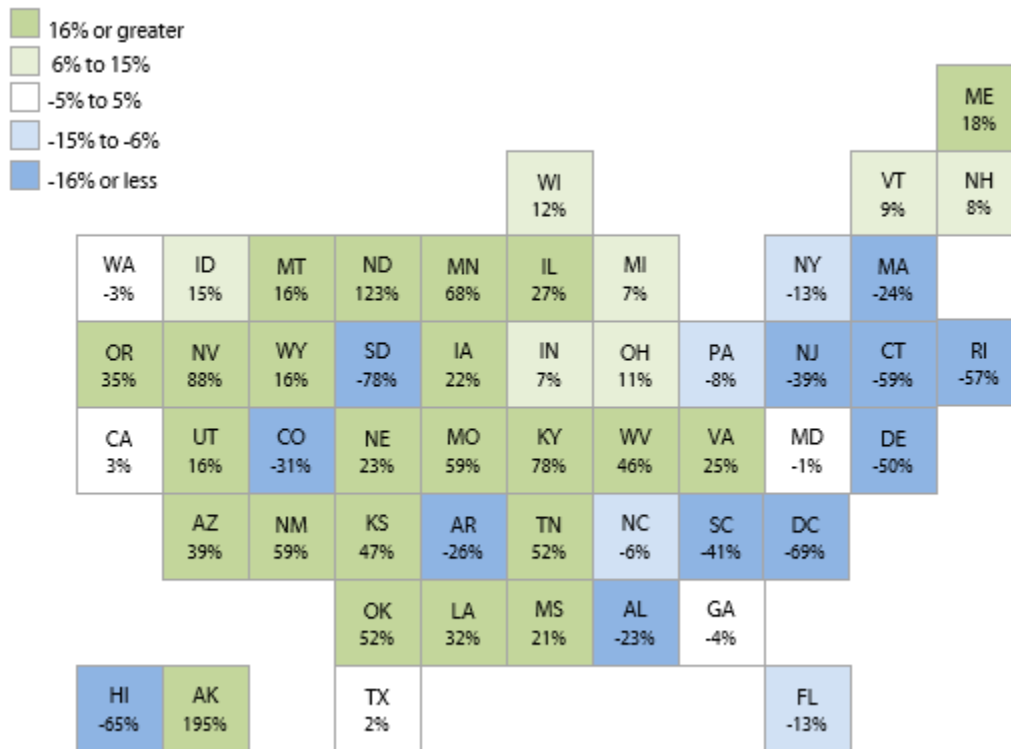
Student Loan Borrowers Severely Delinquent are Also More Severely Delinquent on Other Forms of Consumer Debt



In a 2013 Federal Reserve Bank of New York analysis of student loan borrowing, researchers found that student loan borrowers that were severely delinquent – 90 or more days late – were also severely delinquent on other consumer debt at greater percentages compared to student loan borrowers who were not delinquent on their student loans. More than half of severely delinquent student loan borrowers (55 percent) were also severely delinquent on credit cards, 22 percent were delinquent on their mortgage, and 15 percent on auto loans.

Majority of States Saw Increases in Student Lending Activity From 2017 to 2018

One Year Change in Student Loan Volume, by State
 (July 2017 to July 2018)

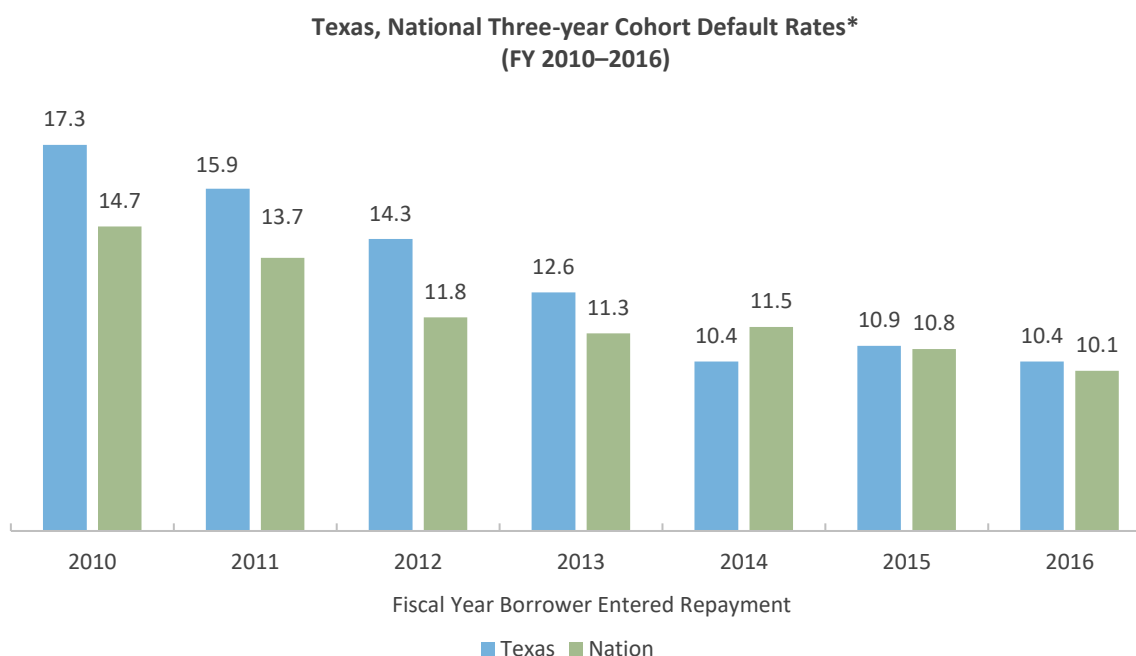


Between July 2017 and July 2018, almost two-thirds of U.S. states saw increases in the total volume of student loans. This ranged from nearly flat levels in Texas to an almost 200 percent increase in Alaska. The remaining states saw decreases ranging from a reduction of one percent in Maryland to a 78 percent lower volume in South Dakota.

SECTION 12

Repayment and Default

Default Rates Decrease for Texas and the Nation

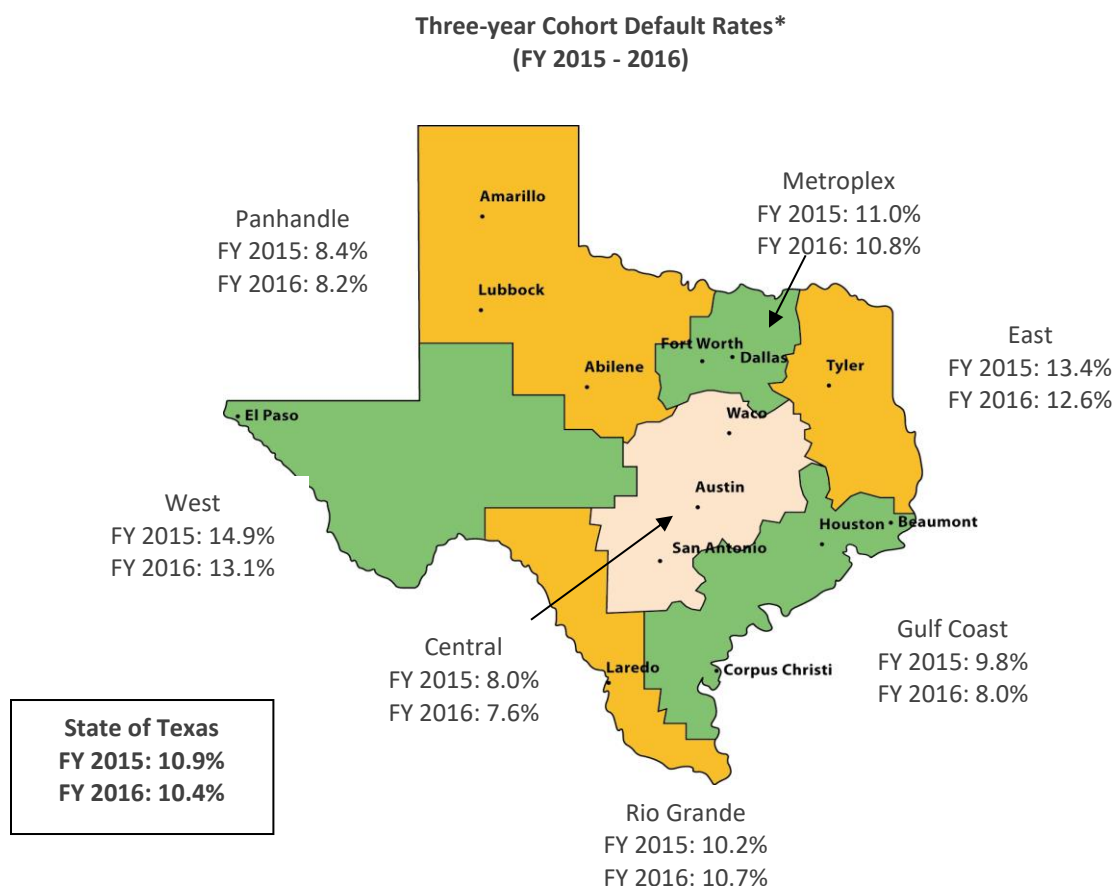


Federal cohort default rates (CDRs) have gradually declined during the last seven years for both Texas and the nation. During this period of improvement, the difference between Texas and national CDRs have narrowed to where the two are now nearly equivalent.

This decline in CDRs is likely due to general economic improvement (particularly the falling unemployment rate) and increased usage of flexible repayment options like income-driven repayment plans. The federal government and many institutions have made new efforts to inform borrowers of these repayment plans, which cap monthly payments at a percentage of income and require no payments at all below a certain income threshold. Improvements in student success indicators likely also contributed to lower CDRs. How the COVID-19 pandemic will affect CDRs will depend on these same indicators, as well as the nature of government relief for student borrowers.

*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2016 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2016 and subsequently defaulted by the end of FY 2018.

Texas Three-year Cohort Default Rates Vary by Region



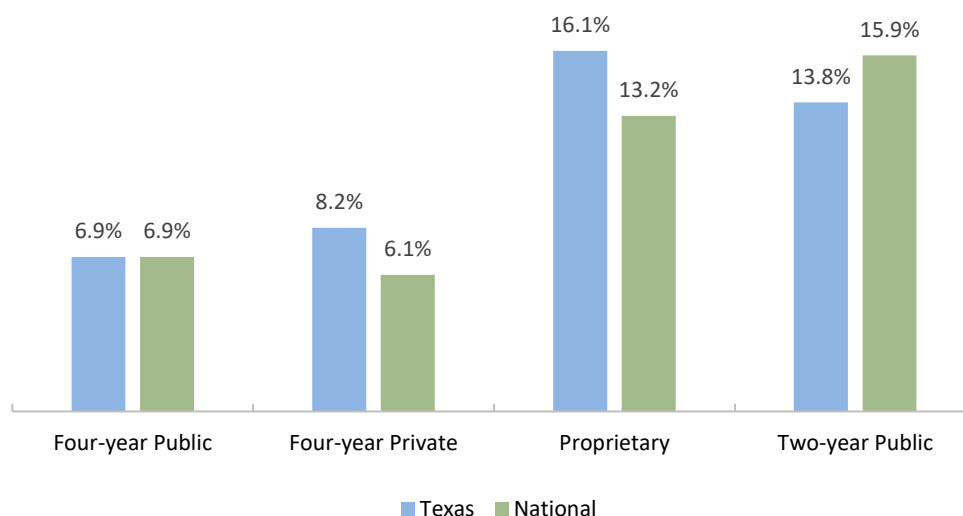
The overall Fiscal Year (FY) 2016 three-year cohort default rate (CDR) for Texas was 10.4 percent (compared to 10.9 percent in FY 2015). Texas' FY 2016 CDR was 0.3 percentage points higher than the 10.1 default rate for the nation.

Cohort default rates for FY 2016 vary substantially from region to region, from a high of 13.1 percent in the West Texas region to a low of 7.6 percent in the Central Texas region. All of the Texas regions experienced a decrease in the three-year default rates between FY 2015 and FY 2016 except for the Rio Grande region. The largest differences were seen for schools in the West and Gulf Coast regions, where the three-year CDR dropped 1.8 percentage points between FY 2015 and FY 2016.

*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. For example, the FY 2016 cohort default rate is based on student borrowers who entered repayment during FY 2016 and subsequently defaulted by the end of FY 2018.

Short-Term Programs Have Higher Three-year Default Rates

Texas Three-year Cohort Default Rates* by School Type



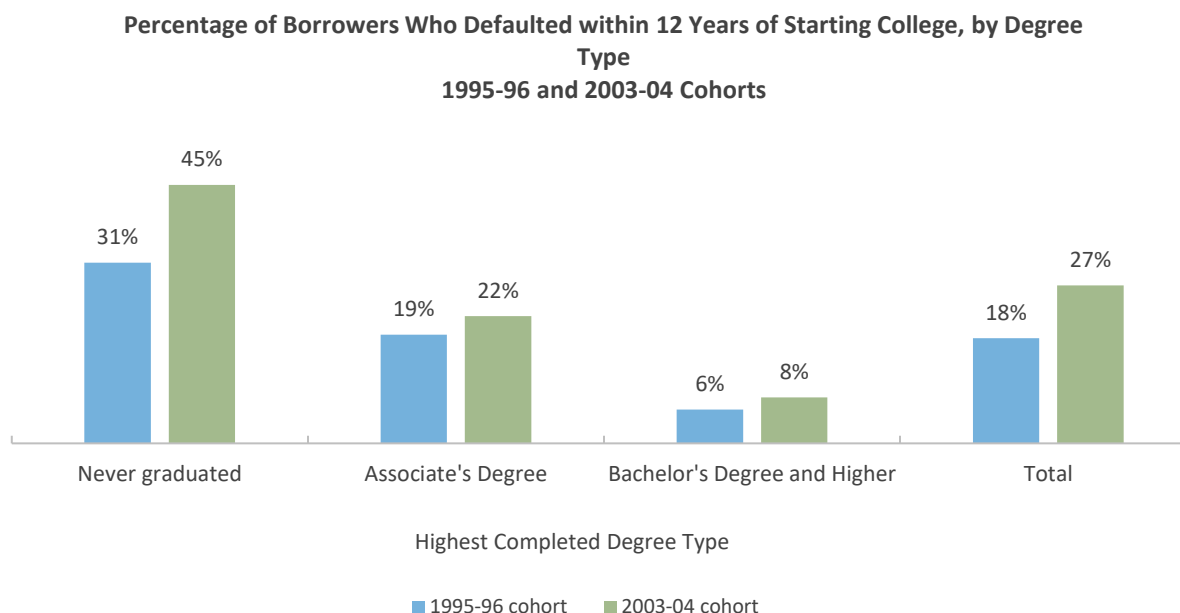
Texas borrowers who attended short-term programs have a combined FY 2016 three-year cohort default rate (CDR) more than twice the rate of those who attended four-year schools (14.4 percent and 7.1 percent, respectively). Although some proprietary schools offer bachelor's degrees or higher, most proprietary schools in Texas offer short-term programs exclusively. At 16.1 percent, the highest FY 2016 three-year CDR is for the proprietary sector, followed by the two-year sector with a 13.8 percent CDR. This is a significant reversal compared to the nation as a whole, where the proprietary sector had a slightly lower CDR than the public two-year sector. Most sectors in Texas had a decrease in their rate from FY 2015 to FY 2016.

There are several factors that contribute to the tendency toward higher CDRs for short-term programs, as compared to four-year schools. For example, borrowers from short-term programs are more likely to have risk factors for dropping out of school, such as attending school part time, working full time, and having a low family income than are students from four-year colleges and universities. Also, post-college earnings tend to be lower for graduates of short-term programs compared with graduates of four-year schools.

*A three-year cohort default rate is the percentage of student borrowers with loans entering repayment in a given fiscal year who default on their obligations during that given fiscal year or in the next two fiscal years that follow. The FY 2016 cohort default rate, for example, is based on student borrowers who entered repayment during FY 2016 and subsequently defaulted by the end of FY 2018.

Source: Cohort Default Rates: U.S. Department of Education, Fiscal Year 2016 Official Cohort Default Rates, Washington, D.C., 2019; Proprietary School Program Length: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) 2018 (<http://nces.ed.gov/ipeds>); All Other: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2016" (<http://www.nces.ed.gov/das/>).

Nearly Half of Borrowers Who Did Not Graduate Had Defaulted within 12 Years of Starting College



Most who track student loan default rates focus on the official three-year cohort default rate. Yet there is value in better understanding student loan repayment from a more long-term perspective. The National Center for Education Statistics has produced a data base which approximates this broader view of repayment. Approximately 31 percent of all student borrowers who first started their postsecondary education in the 1995-96 academic year and did not graduate had defaulted sometime during the 12 years after first starting college. The default rates for associate's degree and bachelor's degree holders were much lower. Just under six percent of borrowers who earned a bachelor's degree or higher had defaulted on their loans in the 12-year timeframe.

The default rates for borrowers who first started college in the 2003-04 academic year were higher across all categories, particularly among those who never graduated. This is likely due in part to the 2007-08 economic recession that hit many of those borrowers early in their work life following college. Those with less education have higher unemployment rates than those with more, and this was certainly true during and following the recession.

There are several factors that contribute to the tendency toward higher default rates for short-term programs, such as associate's degrees, as compared to four-year schools. For example, borrowers from short-term programs are more likely to have risk factors for dropping out of school, such as attending school part time and working full time, than are students from four-year colleges and universities. Also, earnings tend to be lower for graduates of short-term programs compared with graduates of four-year schools.

When the timeframe for tracking the 1995-96 cohort was extended from 12 to 20 years, 25.4 percent of all student borrowers had defaulted. The more recent cohort has already exceeded that rate at just the 12-year mark.

Sources: Default Rates: U.S. Department of Education, National Center for Education Statistics, Repayment of Student Loans as of 2015 Among 1995-96 and 2003-04 First-Time Beginning Students, October 2017 (<https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2018410>); Risk Factors: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2012" (<http://www.nces.ed.gov/das/>); Unemployment Rates: Bureau of Labor Statistics, "Employment Status of the Civilian Population 25 Years and Over by Educational Attainment," March 2018 (<https://www.bls.gov/news.release/empsit.t04.htm>).

One-fifth of Texas Borrowers Had Not Reduced Their Principal Balance After Five Years in Repayment

The student loan repayment system can be complicated. While missing payments can get a borrower into financial trouble, even those who pay on time can face negative financial outcomes. For example, if payments fail to cover the interest that accrues, then the interest can capitalize, and increase the total amount owed on the loan.

Trellis used its extensive portfolio of Federal Family Education Loan Program loans to study students who had borrowed loans (guaranteed by Trellis) at a Texas institution and entered repayment any time between October 1, 2007 and September 30, 2011. An examination of 391,362 borrowers found that:

- Nearly a quarter (24%) of borrowers defaulted within five years of entering repayment, and most of them had previously suspended their payments using deferment or forbearance.
- About one in five borrowers (21%) owed more on their loans after five years in repayment than they did when they started repayment, accruing interest through heavy uses of deferment, forbearance, and delinquency.
- About one in five borrowers (22%) paid their loans during the first five years of repayment without missing or pausing any payments.

| Repayment Group | Percent of Borrowers | Repayment Subgroup | Percent of Borrowers |
|---------------------|----------------------|--------------------|----------------------|
| Defaulters | 24% | Paused Any Payment | 14% |
| | | Missed Any Payment | 10% |
| Balance Increaseers | 21% | N/A | N/A |
| Balance Decreasers | 45% | Uninterrupted | 22% |
| | | Paused Any Payment | 20% |
| | | Missed Any Payment | 3% |
| Consolidators | 10% | N/A | N/A |

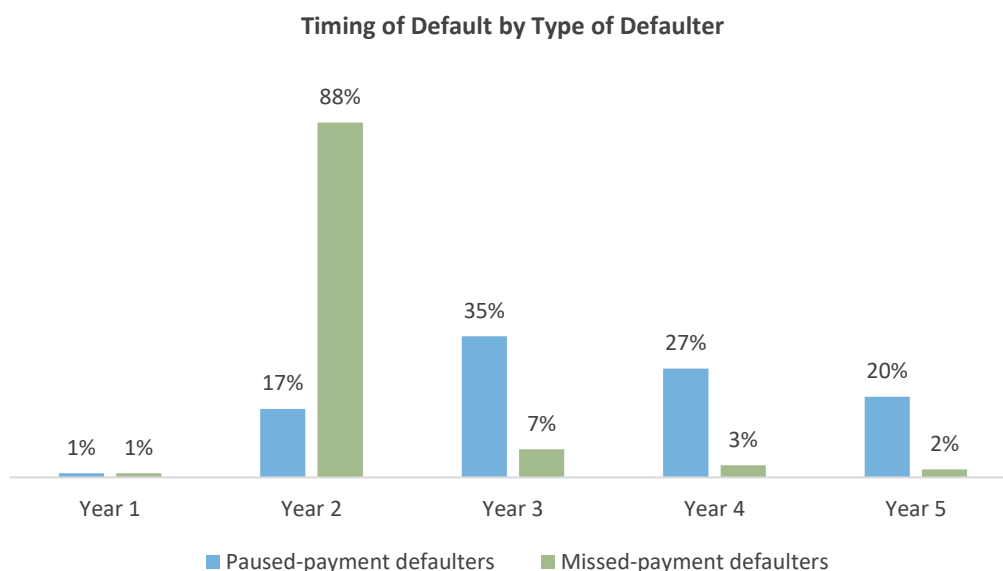
Source: The Pew Charitable Trusts, Student Loan System Presents Repayment Challenges, November 2019 (https://www.pewtrusts.org/-/media/assets/2019/11/psbs_report.pdf).

Most Defaulters Who Did Not Pause Payments Defaulted Very Quickly

A student loan borrower defaults on their loan after failing to make any payments for at least 270 days*. Default rates are measured in cohort years, where all borrowers who enter repayment between October 1 and September 30 are considered to be part of that year's cohort. Unless a borrower enters repayment between October and December, it is not technically possible to default in their first cohort year of repayment. Therefore, the earliest most borrowers can default is in their second cohort year of repayment.

Trellis tracked 391,362 student loan borrowers from its administrative data base of Family Federal Education Loan Program loans through their first five years in repayment to learn about their repayment patterns and outcomes. These students borrowed loans guaranteed by Trellis at a Texas institution and entered repayment at any time between October 1, 2007 and September 30, 2011.

Defaulters who did not pause their payments by using deferments or forbearances experienced difficulty repaying from the start, with the vast majority of these borrowers defaulting in their second year in repayment. Defaulters who paused payments tended to default in their third, fourth, or fifth year of repayment.



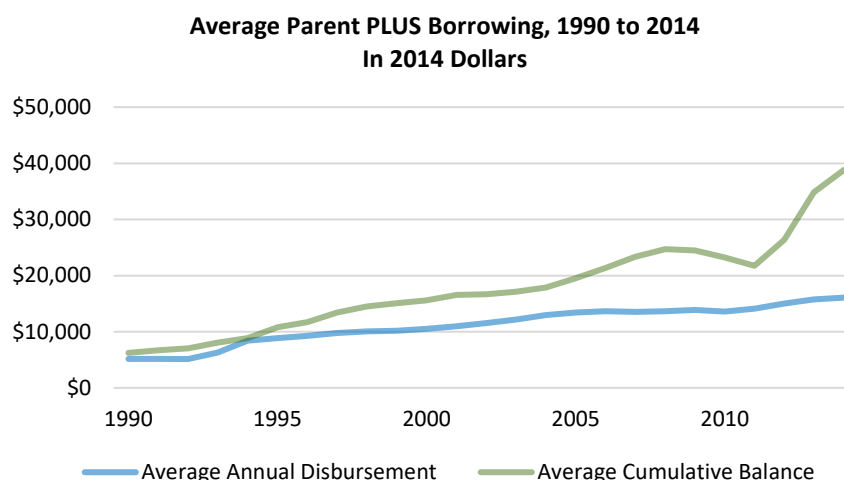
*In Trellis' administrative database of Family Federal Education Loan Program loans, borrowers are considered to be in default when the servicer has filed a claim against them, which can occur at any point between 270 and 360 days of nonpayment.

Note: This analysis calculated years to default from the end of borrowers' six-month grace periods.

Source: The Pew Charitable Trusts, Student Loan System Presents Repayment Challenges, November 2019 (https://www.pewtrusts.org/-/media/assets/2019/11/psbs_report.pdf).

Parents Struggle to Repay as Parent PLUS Borrowing Increases

The Federal Direct PLUS for parents (PLUS) loan program has become an increasingly popular financing option as college costs rise beyond what many families are able to afford. Parents are able to borrow potentially large amounts of money with only a modest check for adverse credit, meaning that some parents may borrow more than they can reasonably be expected to pay back. Average annual and cumulative borrowing in this program has grown tremendously since the original annual and lifetime maximum limits were removed in 1993.



Trellis used its extensive portfolio of Federal Family Education Loan Program loans to conduct a study of 59,096 parent borrowers who entered into repayment on their loans between October 1, 2004 and September 30, 2010. The analysis found that after seven years in repayment, about eight percent of parent borrowers had defaulted, seven percent had not seen a reduction in their principal balance, and about 75 percent had reduced their principal balance by at least one dollar.

| Repayment Category | | Percent |
|-----------------------------------|--|---------|
| Successfully Repaying | Uninterrupted Payments | 45% |
| | Had Deferment, Forbearance, and/or Delinquency | 23% |
| | Had Delinquency Only | 7% |
| Default | Had Deferment, Forbearance, and/or Delinquency | 5% |
| | Had Delinquency Only | 3% |
| No Reduction in Principal Balance | | 7% |
| Consolidation | | 12% |

Source: Average borrowing chart: Looney, A. and Lee, V. on Brookings Institution, Parents are borrowing more and more to send their kids to college – and many are struggling to repay, November 2018 (<https://www.brookings.edu/research/parents-are-borrowing-more-and-more-to-send-their-kids-to-college-and-many-are-struggling-to-repay/>); Fletcher, C., Webster, J., and Di, W., PLUS Borrowing in Texas: Repayment Expectations, Experience, and Hindsight by Minority-Serving Institution Status, January 2020 (<https://www.trelliscompany.org/wp-content/uploads/2020/01/parent-plus-borrowing-study.pdf>).

SECTION 13

Texas Higher Education and Student Debt Policy

Progress on 60x30TX Goals

In 2016, the Texas Higher Education Coordinating Board (THECB) launched a new, 15-year strategic plan for Texas higher education: 60x30TX (“sixty by thirty Texas”). The plan establishes four core goals:

- 1) By 2030, at least 60 percent of Texans ages 25-34 will have a postsecondary credential or degree.
- 2) By 2030, at least 550,000 students in that year will complete a certificate, associate, bachelor’s, or master’s degree from a Texas public, independent, or for-profit college or university.
- 3) By 2030, all graduates from Texas public institutions of higher education will have completed programs with identified marketable skills.
- 4) By 2030, undergraduate student loan debt will not exceed 60 percent of first-year wage for graduates of Texas public institutions.

In focusing on student debt and workforce outcomes, goals three and four represented a new direction for the THECB. The plan identified two key targets for containing student loan debt:

- a) Decrease the excess semester credit hours (SCH) that students attempt when completing an associate or bachelor’s degree to 12 by 2020, six by 2025, and three by 2030.
- b) Limit the need to borrow so that no more than half of all students who earn an undergraduate degree or certificate will have debt in 2030.

60x30TX Goal Updates

| | | 2015 (Baseline) | 2018 | 2030 Goal |
|-------------------------|---|--------------------|---------|-----------|
| Overall Attainment Rate | | 40.3% | 43.5% | 60% |
| Completion Goals | Overall Completion Total | 311,340 | 341,307 | 550,000 |
| | Hispanic Completion | 96,657 | 115,735 | 285,000 |
| | African American Completion | 38,964 | 41,594 | 76,000 |
| | Male Completion | 131,037 | 143,981 | 275,000 |
| | Economically Disadvantaged Completion | 114,176 | 124,471 | 246,000 |
| | Texas High School Graduates Enrolling in Texas Higher Education | 52.7% | 51.6% | 65% |
| Marketable Skills Goal | Working or Enrolled Within One Year | 78.9% | 78.5% | 80% |
| Student Debt Goals | Student Loan Debt to First-Year-Wage Percentage | 60% | 59% | 60% |
| | Excess SCH Attempted | 19 | 16 | 3 |
| | Percent of Undergraduates Completing with Debt | 49.2% | 45.8% | 50% |

While meeting the target for excess SCH will require substantial reductions, about 60 percent of undergraduate degree completers already borrow student loans. This is partially because students with a greater need to borrow tend to have lower odds of completing their degrees; students with more resources who do not need to borrow are overrepresented among completers. Without significant changes to students’ costs and/or resources, increasing the number of minority and low-income students who graduate (an explicit goal of 60x30) will raise the percentage of graduates who borrow. Conversely, if grant funding does not increase significantly, then increasing the rate and amount of borrowing might be necessary for financially needy students who would otherwise drop out to persist to graduation. At current prices, making progress towards completion goals while holding the borrowing rate at 60 percent *and* containing the debt burdens of graduates will likely require additional grant funding.

Source: Texas Higher Education Coordinating Board. THECB 60x30 Progress Report, July 2019 (<http://www.60x30tx.com/media/1518/2019-60x30tx-progress-report.pdf>).

Higher Education Highlights from the 86th Legislative Session

The 86th Texas Legislature was in session from January 8, 2019 to May, 27, 2019. A number of bills related to higher education were ultimately passed into law, including the General Appropriations Act for Fiscal Years 2020-2021 that contains funding for higher education. Below are some of the higher education-related bills:

HB 3: Relating to Public School Finance and Public Education

- Requires that high school students complete and submit a Federal Application for Federal Student Aid (FAFSA) or a Texas Application for State Financial Aid (TASFA) prior to graduation

HB 2140: Relating to Creating an Electronic Application System for State Student Financial Assistance

- Requires the Texas Higher Education Coordinating Board to develop a process that would allow students to complete the Texas Application for State Financial Aid online on the same website as the common admission application form

HB 3808: Relating to Measures to Facilitate the Timely Graduation of and Attainment of Marketable Skills by Students in Public Higher Education

- Requires specified changes to the Texas College Work-Study Program, the Texas WORKS Internship Program, and the filing of a degree plan to aid in timely graduation and acquiring marketable skills
- Requires that public institutions designate a liaison officer for current and incoming students to provide them with comprehensive information about support services and other available resources

HB 2784: Relating to the Creation of the Texas Industry-Recognized Apprenticeship Programs Grant Program

- Requires the Texas Workforce Commission to create and administer a program to encourage the private sector to develop apprenticeship programs
- No funding was appropriated with this bill

Source: Texas Higher Education Coordinating Board (THECB), Legislative and Media Resources, Higher Education Policy and Appropriations, "Summary of Higher Education Legislation, 86th Texas Legislature" (2019) (<http://reportcenter.thecb.state.tx.us/training-materials/presentations/board-legislation-2019-summary/>).

Funding for TEXAS Grant and TEG Increase for FY 2020 and FY 2021

Major Texas Financial Aid Programs
Appropriated Funds by State Program and State Fiscal Year*

| | State Fiscal Year 2019 | State Fiscal Year 2020 | State Fiscal Year 2021 |
|---|------------------------|------------------------|------------------------|
| Towards EXcellence Access and Success (TEXAS) Grant | \$393.2 | \$433.2 | \$433.2 |
| Texas Educational Opportunity Grant (TEOG) | \$47.9 | \$47.9 | \$47.9 |
| Texas College Work-Study | \$9.4 | \$9.4 | \$9.4 |
| Tuition Equalization Grant (TEG) | \$85.9 | \$89.3 | \$89.3 |
| B-on-Time Loan | \$3.8 | \$1.2 | \$0 |

The 86th Texas Legislature passed House Bill 1, the General Appropriations Act for Fiscal Years 2020-2021. This bill appropriated funding for the state fiscal years* 2020 and 2021 for, among other things, state higher education grant programs. Funding for Texas' largest state grant program, the Towards Excellence Access and Success (TEXAS) grant, was increased by \$40 million. Funding for the Tuition Equalization Grant, the Physician Education Loan Repayment Program, and the Texas Armed Services Scholarship was also increased.

Other programs were appropriated level funding except for the B-on-Time Loan Program, which was repealed in 2015. The legislature has appropriated about \$1.2 million for renewal awards for continuing students in state fiscal year 2020 and has not appropriated any funds for state fiscal year 2021.

All state grant programs assist students with financial need, promoting access to higher education to low-income students while helping to limit their need to borrow student loans, though some programs (like the TEXAS Grant) also have an explicit merit-based component.

Other Large Texas Financial Aid Programs
Appropriated Funds by State Program and State Fiscal Year*

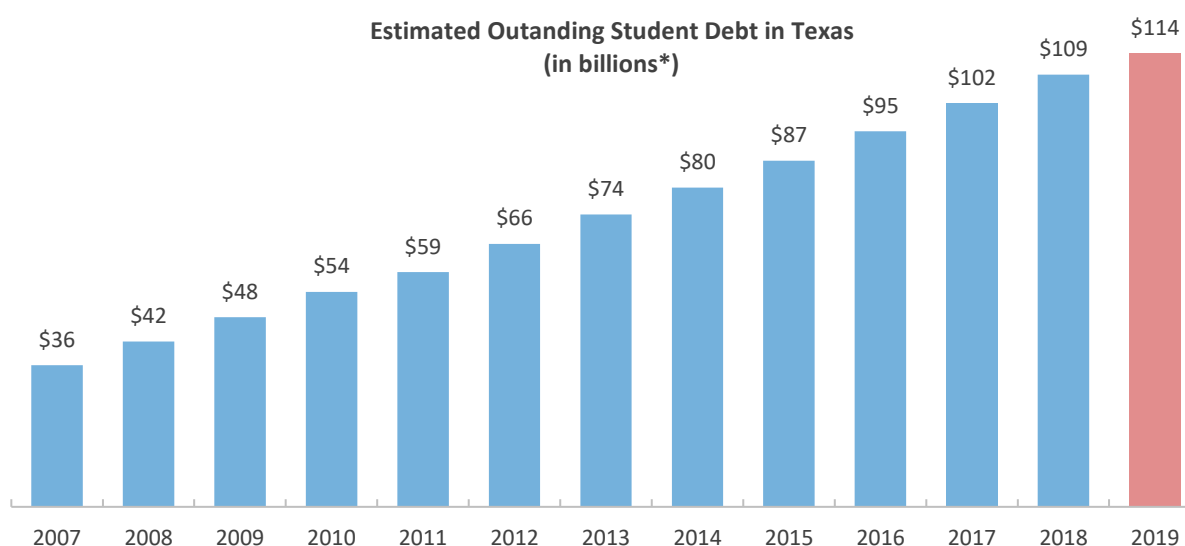
| | State Fiscal Year 2019 | State Fiscal Year 2020 | State Fiscal Year 2021 |
|---|------------------------|------------------------|------------------------|
| Developmental Education | \$1.3 | \$1.3 | \$1.3 |
| Texas Research Incentive Program | \$17.5 | \$17.5 | \$17.5 |
| Professional Nursing Shortage Reduction Program | \$9.9 | \$9.9 | \$9.9 |
| Teach for Texas Loan Repayment Assistance Program | \$1.3 | \$1.3 | \$1.3 |
| Physician Education Loan Repayment Program | \$12.6 | \$15.3 | \$14.9 |
| Texas Armed Services Scholarship | \$1.3 | \$3.4 | \$3.4 |
| Math and Science Scholar's Loan Repayment Program | \$1.2 | \$1.2 | \$1.2 |

*The Texas state fiscal year is September 1 through August 31.

Source: Legislative Budget Board, State Budget by Program "86th Regular Session, Final Bill" (<http://sbp.lbb.state.tx.us/>).

Student Loan Debt in Texas Grows Faster Than the U.S.; Reaches \$114 Billion

Rising national student loan debt has garnered much attention for several years. As of December 31, 2019, the total volume of outstanding student loan debt in the United States was estimated at \$1.51 trillion, representing an increase of about \$50 billion over the previous year and \$132 billion over the previous two years. As of the end of 2019, the estimated outstanding student loan volume in Texas was about \$114 billion, up about 5.0 percent from the previous year compared to 3.4 percent growth nationally. Because the growth rate of Texas student loan debt exceeds the rate for the U.S. as a whole, the proportion of all student loan debt held by Texans has increased. In 2007, Texans held about 6.5 percent of U.S. student loan debt; in 2019, Texans held about 7.6 percent. The relative youth of the Texas population is likely a major contributor to the growth in student loan debt relative to the nation.



While the growth rate of Texas student loan debt exceeds the overall U.S. growth rate, both rates have slowed somewhat in recent years. Texas has added about \$7 billion per year in outstanding student loan debt since 2012, resulting in higher absolute growth but lower percentage growth than in previous years. For the U.S., absolute debt growth of about \$75 billion annually since FY 2014 (and only \$50 billion from 2018 to 2019) has been smaller than usual, such that the annual percentage growth has declined even more quickly.

At the state and national level, the majority of the outstanding student loan debt comes from federal loans, including Federal Family Education Loans (FFEL)**, Federal Direct Loans, and Federal Perkins Loans. Private and state-level education loans, which generally do not provide accommodations like income-linked repayment plans, deferments, or forgiveness, accounted for about 12 percent of student loans borrowed in AY 2018-19.

*Estimates are based on state-level per capita student debt averages from the Federal Reserve Bank of New York Consumer Credit Panel, which excludes persons without credit reports and persons living in counties where fewer than 10,000 people have credit reports. The result for a given year is adjusted by the same factor by which the result of this methodology for the United States as a whole deviates from the United States total outstanding student debt for that year as reported in the Quarterly Report on Household Debt and Credit. This adjustment, which was not made in some previous editions of SOSA, has been applied to all years.

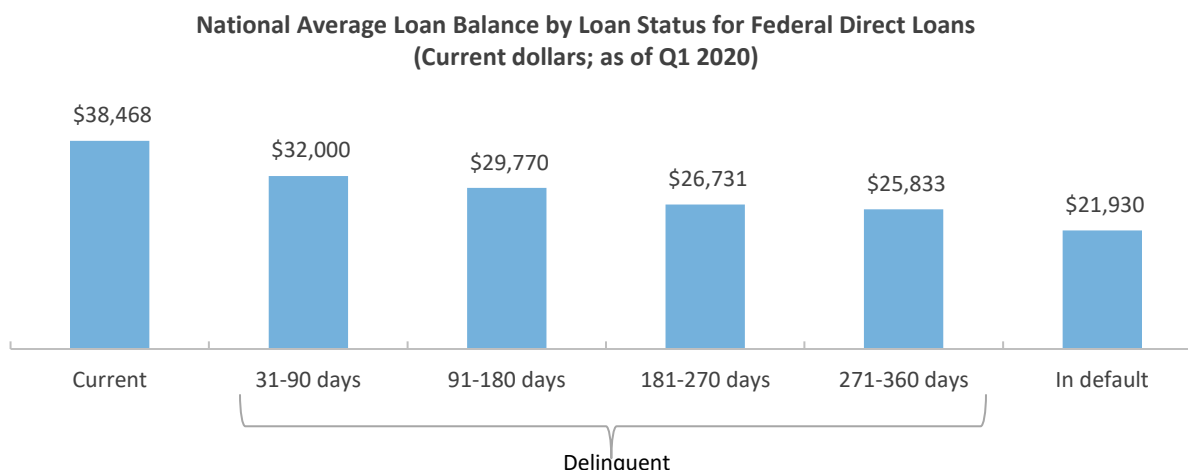
**The FFEL Program ended in 2010, but borrowers are still making payments on outstanding FFEL balances.

Sources: U.S. Student Loan Debt Estimate: Federal Reserve Bank of New York (FRBNY), Quarterly Report on Household Debt and Credit, 2019:Q4 (<https://www.newyorkfed.org/microeconomics/hhdc/background.html>), Texas Student Loan Debt Estimate: FRBNY Quarterly Report on Household Debt and Credit, Q4 2007 through Q4 2018, and Household Debt and Credit Statistics by State (<https://www.newyorkfed.org/microeconomics/databank.html>); Non-federal borrowing: College Board. Trends in Student Aid 2019 (<https://trends.collegeboard.org/student-aid/figures-tables/total-federal-and-nonfederal-loans-over-time>).

Students Who Borrow More Are Less Likely to Default

Concerns over student debt tend to focus on two trends: high default rates and high loan balances. Default rates have been slowly declining in recent years, but far too many student loan borrowers continue to default. Nationally, almost one in nine student loan borrowers who entered repayment in fiscal year 2016 defaulted in that year or the next two (a three-year cohort default rate [CDR] of 10.1 percent), but lifetime default rates are much higher. The federal Office of Management and Budget predicts that 20 to 25 percent of undergraduate Direct Loan borrowers who entered repayment in FY 2016 will default over the next 20 years, and a recent study of students who began postsecondary education in 2003-04 found that 27 percent of borrowers had defaulted within 12 years.

Although the average loan balance continues to climb, the relationship between this trend and default rates is not straightforward. In fact, borrowers who are current on their loans tend to have higher balances, while those in delinquency or default tend to have lower balances. This counterintuitive pattern has one key cause: Borrowers incur higher debts by staying in school longer.



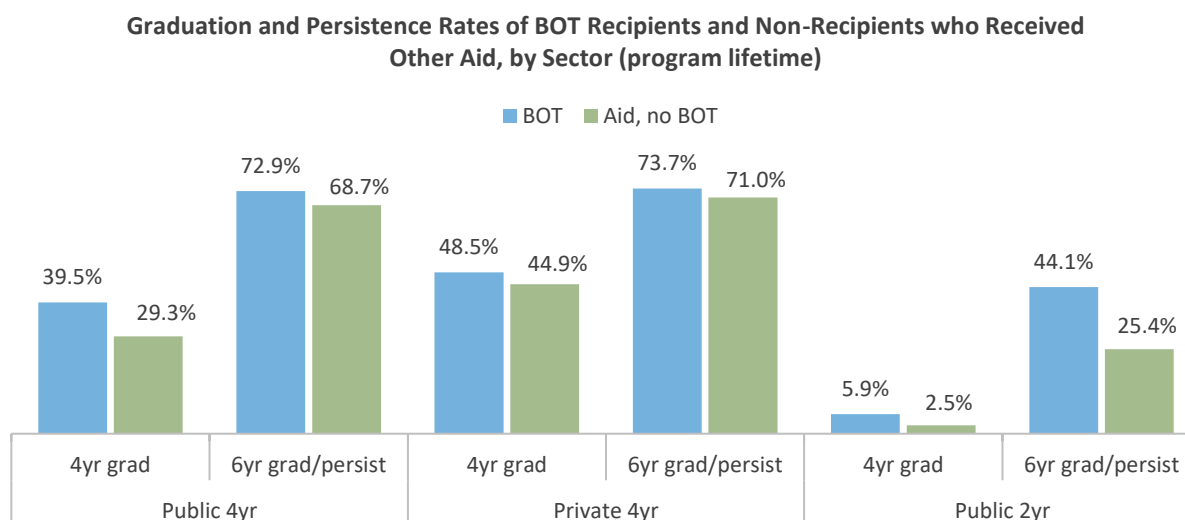
The common explanation for the inverse relationship between borrowing and default is that persisting to graduation requires more borrowing but also leads to higher incomes, such that the loan payments are actually more affordable. Data support this explanation, but it is incomplete. Provisions like deferments and income-driven repayment plans offer borrowers effective means to avoid defaulting on federal student loans regardless of income. Helping borrowers acquire the knowledge and skills to navigate the repayment process early on can be an effective default prevention strategy for all borrowers, especially those more likely to drop out and be at greatest risk of default.

Sources: U.S. Department of Education, Student Aid Data, Federal Student Loan Portfolio, "Direct Loan Portfolio by Delinquency Status (DL, ED-Held FFEL, ED-Owned)" (<https://studentaid.gov/data-center/student/portfolio>); Cohort default rate: U.S. Department of Education, "Official Cohort Default Rates for Schools", (<http://www2.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>); Lifetime default projection: U.S. Office of Management and Budget, FY 2017 Budget for Dept of Education, (<https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/edu.pdf>); 12-year default study: Woo, J. et al (2017). Repayment of Student Loans as of 2015 Among 1995-96 and 2003-04 First-Time Beginning Students. NCES. (<https://nces.ed.gov/pubs2018/2018410.pdf>).

B-On-Time Loan Showed Promise But Was Underutilized

The Texas B-On-Time (BOT) Loan Program was an undergraduate student loan program that sought to increase access to higher education and encourage students to graduate on time, which costs less, and focus on academics, which should promote learning and better employment outcomes. Established in 2003, this loan was completely forgiven for borrowers who completed their degrees on time with a 3.0 GPA or higher. Loans to students at public institutions were funded by a tuition set-aside; legislative appropriations funded loans to students at private institutions. The Texas Legislature ceased the disbursement of new loans in 2013; renewal loans will be made through 2020.

Students who received BOT loans consistently graduated at higher rates than students who received aid but no BOT loan. About forty percent of public university students with BOT loans graduated in four years, compared to 29 percent for non-BOT aid recipients. According to the Texas Higher Education Coordinating Board (THECB), “these data suggest that the prospect of loan forgiveness may have been a strong enough incentive to influence behavior leading to more timely graduation”.



Despite its promise, the BOT program was underutilized. Thirty-six percent of funds were not allocated in FY 2011, and only five out of 136 institutions disbursed their entire allocation. Four-year private institutions used 90 percent of their funds, while public universities used 64 percent. Community colleges used only 3 percent of their allocation.

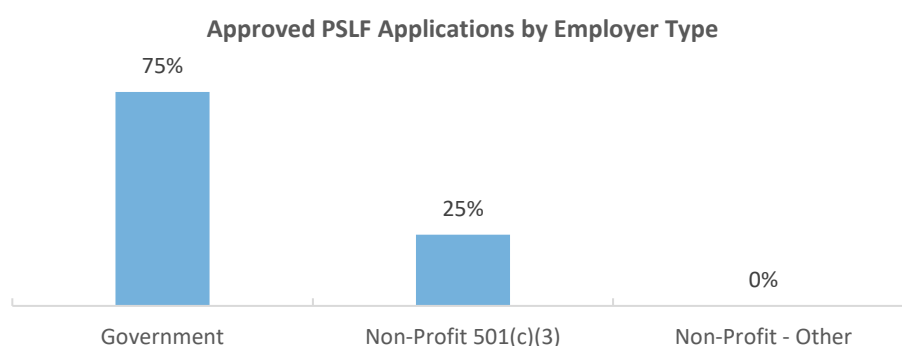
In 2013, the Sunset Advisory Commission identified several issues hindering the BOT program. These included both poor structural fit and inadequate funding at community colleges, strict eligibility requirements, complexity, and lack of awareness. Federal “preferred lender list” rules likely contributed to this lack of awareness. Created to prevent conflicts of interest with private student lending, the rules prevent college staff from volunteering information about non-federal loans unless the institution develops a “preferred lender list”. This process entails risks to the institution and diverts scarce administrative resources. Public institutions, whose lower costs are less likely to require non-federal borrowing, are less likely to have preferred lender lists; this may partially explain their low utilization rates relative to private institutions. Acknowledging this issue, the Commission concluded that, “despite its flaws, the state benefits from a program [BOT] that supports access to college through no-interest loans and encourages graduation.” The Commission made several recommendations to improve the program, but the state opted to phase it out.

Sources: Texas Higher Education Coordinating Board (THECB), *Report on student financial aid in Texas higher education for fiscal year 2015*, September 2016 (<http://www.thecb.state.tx.us/reports/PDF/8504>); Utilization: Sunset Advisory Commission, *Staff report with hearing material: Texas Higher Education Coordinating Board*, July 2013, pp. 48 (<https://www.sunset.texas.gov/public/uploads/>).

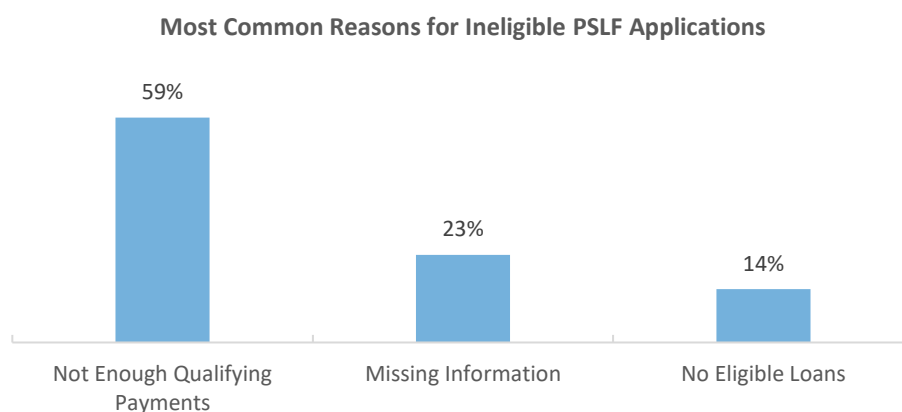
Most Borrowers Approved for Federal Public Service Loan Forgiveness are Government Employees

The Public Service Loan Forgiveness Program (PSLF) cancels the remaining balance of Federal Direct Loans for borrowers who have made 120 qualifying monthly payments while working full-time for certain government and non-profit employers. Qualifying payments must meet several eligibility criteria, including being made in full, within 15 days of the due date, and under an income-driven repayment (IDR) plan. PSLF first became available in 2007, and borrowers could (theoretically) have achieved 120 qualifying payments beginning in October 2017.

Borrowers who pursue PSLF take a risk. PSLF applies only to borrowers who enroll in IDR plans, which lower monthly payments but extend the payment period, resulting in higher interest costs over time. Borrowers who spend several years in IDR making qualifying payments can still lose eligibility due to employment changes, income growth, or Congressional action altering the PSLF terms; these borrowers now may face higher costs than if they had attempted to repay on the Standard Repayment Plan. Borrowers may also choose to pursue forgiveness through payment caps on certain IDR plans, though these options take longer and are also subject to Congressional action, and the Internal Revenue Service may tax this forgiveness as income (amounts forgiven under PSLF are not taxed).



As of February 2020, 75 percent of the 2,828 approved PSLF applications were for government employees while the other 25 percent were for 501(c)(3) non-profit employees. Among the 163,576 applications deemed ineligible, 59 percent were rejected because the borrower had not made enough qualifying payments, 23 percent of the applications were missing information, and 14 percent applied for forgiveness on a loan that was not eligible.



COVID-19 Legislation Aims to Help Higher Education Institutions and Students

The U.S. Congress passed a massive \$2 trillion bill (the Coronavirus Aid, Relief, and Economic Security, or CARES, Act) on March 26, 2020, signed into law the following day, intended to help the country financially weather the novel coronavirus (COVID-19) pandemic. The bill provides about \$14 billion to higher education via an Emergency Stabilization Fund. Half of that fund is to be used for emergency grants to students for expenses related to campus disruptions due to the COVID-19 pandemic, such as food, housing, technology, health care, and childcare. The other half can be used by institutions for crisis-related expenses, such as lost revenue, technology costs associated with transitioning to remote learning, and payroll.

Ninety percent of higher education funding (\$12.5 billion) will be allocated to institutions based on the following breakdown: 75 percent on the enrollment of full-time equivalent Pell Grant recipients and 25 percent on the enrollment of full-time equivalent students who don't receive Pell Grants (online-only students were excluded for the purposes of determining this breakdown). The other ten percent will be allocated under different specified titles of the Higher Education Act as a way to defray expenses for the institutions and for grants to students.

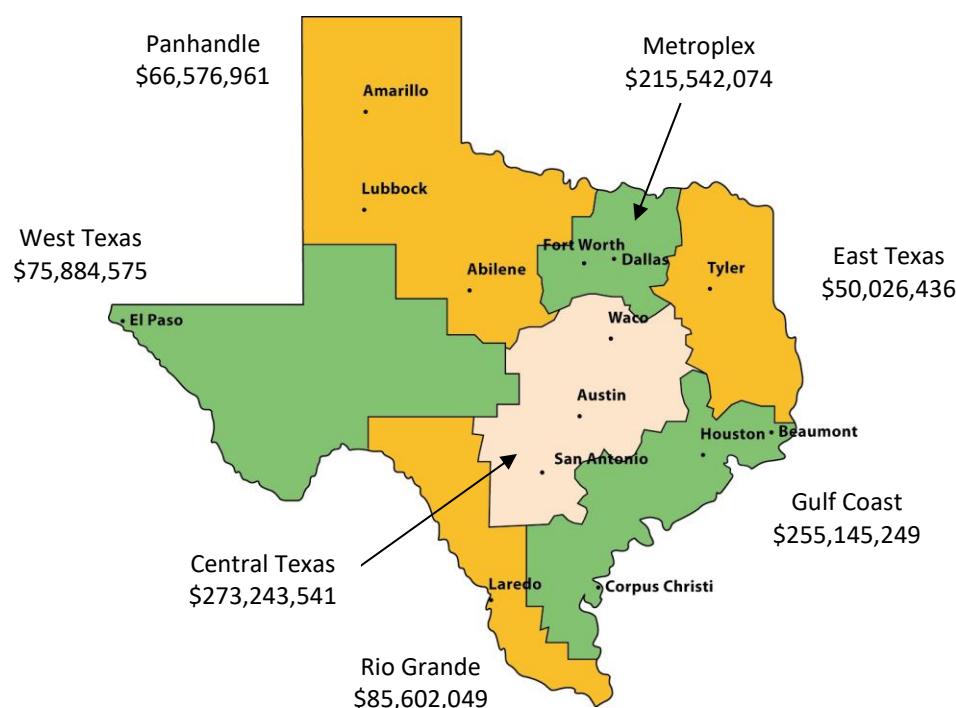
Additionally, the CARES Act allows student loan borrowers whose loans were held by the U.S. Department of Education to take a six-month break from making payments. Interest will be waived during that time period and loan collectors will be prevented from garnishing wages, tax returns, and Social Security benefits to collect overdue payments.

These descriptions of the CARES Act were written on March 31, 2020. As the country works its way through the pandemic, there will likely be other legislation and regulation that impacts higher education institutions and its students.

Sources: CARES Act Text of Bill (https://www.nasfaa.org/uploads/documents/CARES_Act_Final_Text.pdf); Student Loan Payment Delay: MarketWatch.com, "\$2 trillion coronavirus stimulus package lets some student-loan borrowers delay payments for six months" (<https://www.marketwatch.com/story/2-trillion-coronavirus-stimulus-bill-gives-student-loan-borrowers-six-months-of-relief-2020-03-26>).

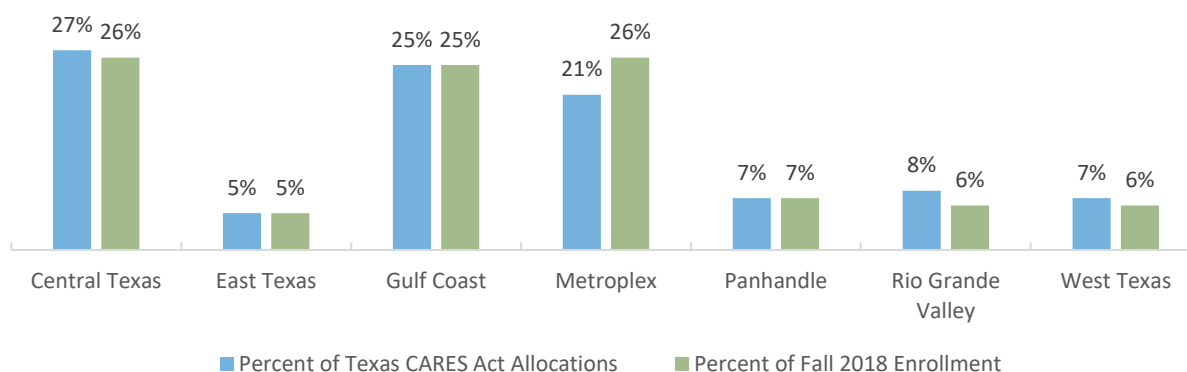
CARES Act Allocations in Texas Regions

CARES Act Allocations at Texas Institutions by Region



Two hundred ninety-six Texas institutions were allocated \$1.02 billion through the CARES Act. The proportion of allocations by region are very similar to the proportion of Fall 2018 enrollment by region. Institutions in the most heavily populated regions of the state – the Central Texas, Gulf Coast, and Metroplex regions – will receive nearly three-quarters of a billion dollars in total to help students, employees, and higher education institutions weather the COVID-19 pandemic.

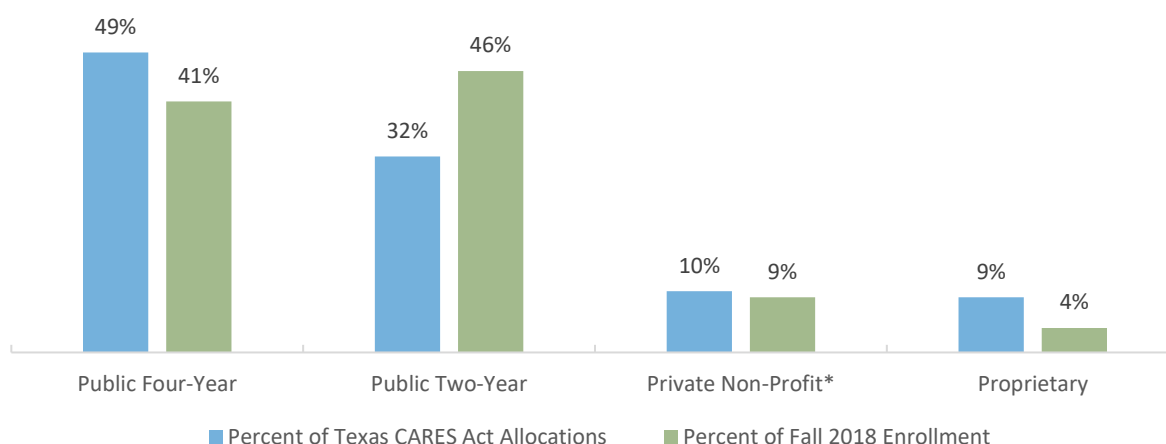
CARES Act Allocations at Texas Institutions by Region



Sources: U.S. Department of Education, Allocations for Section 18004(a)(1) of the CARES Act (<https://www2.ed.gov/about/offices/list/ope/allocationsforsection18004a1ofcaresact.pdf>); Enrollment by Region: U.S. Department of Education, National Center for Education Statistics, IPEDS Data (<http://www.nces.ed.gov/ipeds/>).

CARES Act Allocations Vary by Sector in Texas

CARES Act Allocations at Texas Institutions by Sector



| School Type | Total Allocations | Number of Institutions |
|---------------------|-------------------|------------------------|
| Public Four-Year | \$500,029,127 | 43 |
| Private Non-Profit* | \$105,694,744 | 68 |
| Public Two-Year | \$328,113,876 | 64 |
| Proprietary | \$88,183,138 | 121 |

In March 2020, the CARES Act was signed into law to provide financial relief to people and organizations across the country while the COVID-19 pandemic stalled the economy. The bill included a provision to provide about \$14 billion to higher education institutions and students. Using the guidance provided in the bill, the U.S. Department of Education developed a formula to determine how much funding each institution will receive. Texas institutions are allocated about \$1.02 billion.

Compared to total enrollment figures, public two-year institutions are receiving proportionally less of the allocations while the other three sectors are receiving proportionally more. However, the CARES Act allocations are based on full-time equivalent (FTE) enrollment, which is a calculation that determines how many students would be attending if all enrolled students were enrolled full time. The higher an institution's proportion of part-time enrolled students, the lower their FTE enrollment number will be. Public two-year institutions in Texas have much higher proportions of part-time students than other sectors – 72 percent at public two-year, 30 percent at public four-year, 12 percent at private non-profit, and 14 percent at proprietary. The allocation formula also excludes students who were already exclusively enrolled in distance education. The public two-year sector in Texas has a higher proportion of distance education students compared to the other three sectors.

*This category includes 4-year or above, 2-year, and less-than 2-year institutions. Ninety percent of the Private Non-Profit Texas institutions receiving allocations are 4-year or above.

Sources: U.S. Department of Education, Allocations for Section 18004(a)(1) of the CARES Act (<https://www2.ed.gov/about/offices/list/ope/allocationsforsection18004a1ofcaresact.pdf>); Enrollment by Sector: U.S. Department of Education, National Center for Education Statistics, IPEDS Data (<http://www.nces.ed.gov/ipeds/>).